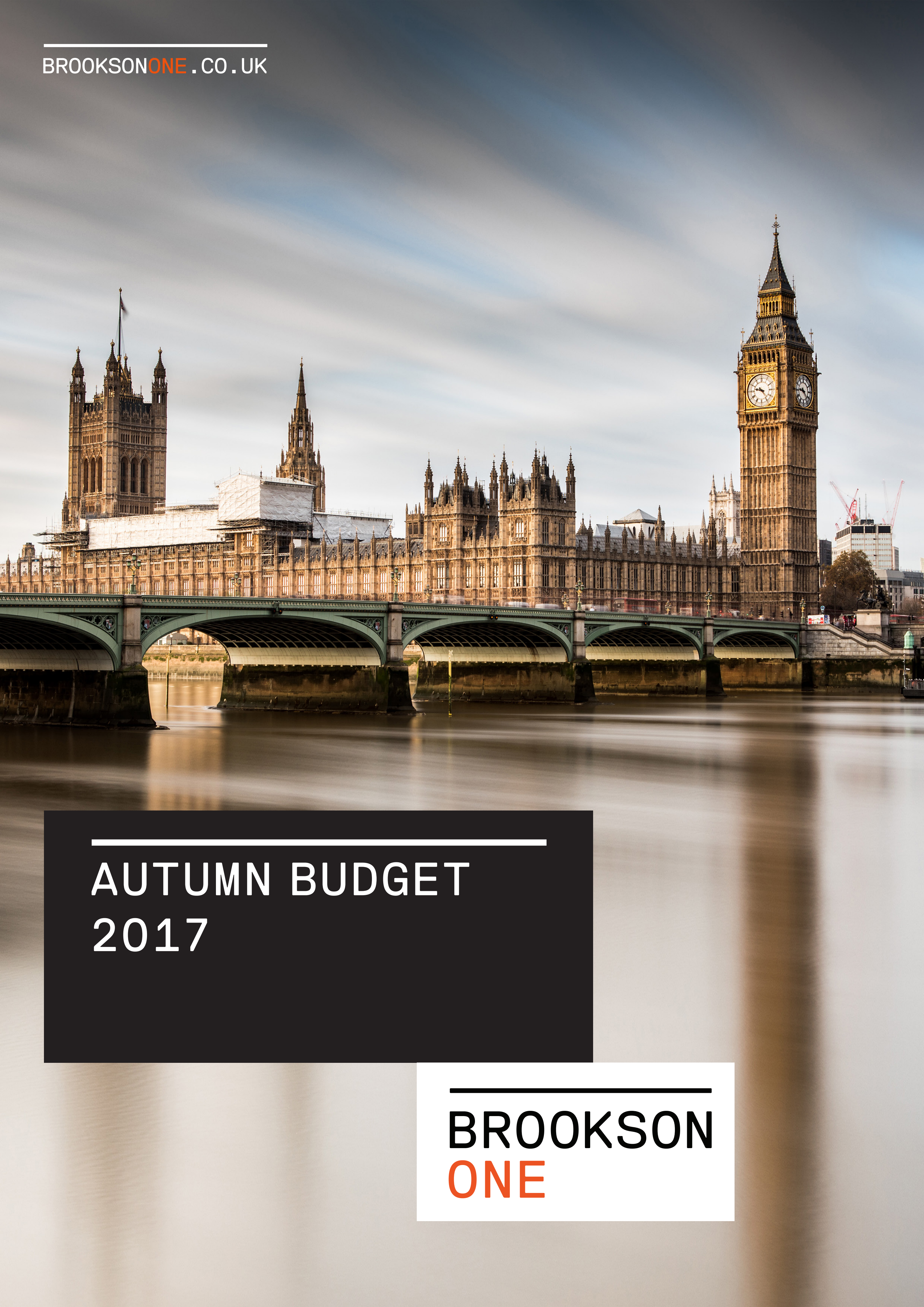
BROOKSONONE.CO.UK



AUTUMN BUDGET 2017

BROOKSON ONE

CONTENTS

1. INTRODUCTION

This document summarises the key changes to tax rates relevant to contractors, freelancers & self-employed professionals to come out of the Government's Budget which was delivered on 22nd November 2017.

This summary is published by Brookson, a leading provider of accountancy, tax advice and support services to freelance contractors, interims, locums and small businesses.

2. COMPANY & BUSINESS TAX

2.1 IR35 Reform in the Private Sector

***Off-payroll working in the private sector* –** the Government has committed to "carefully consult" on how to tackle non-compliance with IR35 in the private sector. The Government has already commissioned external research which is due to be published at a date yet to be confirmed in 2018. Whether this will transpire to be a public consultation and result in subsequent changes to legislation is yet to be seen, however, we would hope that a full consultation, including all stakeholders, is undertaken.

Contractors working in the private sector will therefore not see any immediate changes to the current IR35 regime.

Employment status discussion paper – in addition to the above, the Government will also publish a discussion paper as part of its response to Matthew Taylor's review of employment practices "exploring the case and options for longer-term reform to make the employment status tests for both employment rights and tax clearer". This feels like a longer-term strategy compared to the review of IR35 in the private sector, which causes a degree of concern that we may be facing multiple changes over the medium term.

2.2 Corporation Tax Rate

As previously announced, the Corporation Tax rate will continue to be applied at 19%, effective from April 2018, and is expected to be reduced further to 17%, effective from April 2020.

2.3 National Insurance Contributions

Certain NIC policies announced last year, including the abolition of Class 2 NICS, the increase in the rate of Class 4 NIC on profits (if you are currently registered as a sole trader) and reforms to the NIC treatment of termination payments, have been delayed by one year, whilst the Government considers reforms to simplify the NIC system.

2.4 VAT Measures

The Chancellor confirmed in the Budget that the VAT registration threshold will remain at £85,000 for 2 years from 1 April 2018, similarly the VAT deregistration threshold will remain at £83,000. He acknowledged that although the UK's VAT threshold is one of the highest in the EU, he did not want a lowering of the VAT threshold to impact small businesses unnecessarily.

There will be a consultation to determine the VAT threshold which will apply from 31 March 2020.

The Government is also taking steps to counter online market place VAT fraud.

2.5 Research and Development

For companies that meet the qualifying criteria, companies investing in research and development will benefit from an increase in the R & D tax credit from 11% to 12% from April 2018.

2.6 Corporate Capital Gains Tax

The Government has frozen the Corporate indexation allowance from 1st January 2018. Therefore, no relief will be available for interest accruing after this date on the disposal of company capital assets.

3. PERSONAL TAX

3.1 Income Tax

The Chancellor announced in the 2017 Autumn Budget further increases to personal allowances and the higher rate threshold:

- The personal allowance will increase to £11,850 from April 2018 (£11,500 2017/2018)
- The basic rate tax band will increase to £34,500 from April 2018 (£33,500 2017/2018)
- This results in an overall increase to the higher rate tax threshold (personal allowance plus basic rate tax band) of £1,350 to £46,350 from April 2018.
- The additional tax rate threshold remains unchanged at £150,000

The Chancellor reconfirmed his commitment to raising the income tax personal allowance to £12,500 and the higher rate tax threshold increase to £37,500 by 2020 meaning that individuals will need to earn more than £50,000 before they incur a higher rate tax liability.

3.2 Dividends Allowance

As previously announced, the tax-free dividend allowance that is currently available to all shareholders of £5,000 will be reduced to £2,000 from April 2018 - this is to help address the perceived tax difference between the employed and self-employed.

3.3 Rent a Room Relief

The government will publish a call for evidence to establish how rent-a-room relief is used and ensure it is better targeted at longer-term lettings.

3.4 Faster Recovery of Self-Assessment Debts

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.

4. OTHER TAXES

4.1 Benefits in Kind

The Government announced that from April 2018, there will not be a benefit in kind charge on electricity that employers provide to charge employee’s electric vehicles.

The Chancellor also announced an additional 1% supplement to apply to the diesel company car benefit calculation.

To reduce the burden on employers, from April 2019 they will no longer be required to check receipts when reimbursing employees for subsistence using benchmark scale rates. The existing concessionary accommodation and subsistence overseas scale rates will be placed on a statutory basis, to provide greater certainty for businesses.

4.2 Employee Business Expenses

The Government has announced further consultation on extending the scope of tax relief currently available to employee’s self-funded work-related training costs and have advised they will look to improve the guidance in respect of employee’s expenses, in particular, travel and subsistence.

4.3 Pensions and Savings

The band of savings income that is subject to the 0% starting rate will be kept at its current level of £5,000.

It was announced that from April 2018, the annual subscription limit for Junior ISAS and Child Trust Funds for 2018-19 will be uplifted to £4,260

The overall annual ISA subscription limit will remain unchanged for 2018-19 at £20,000.

4.4 Disguised Remuneration

The Government continues its theme in the 2017 Autumn Budget to tackle disguised remuneration schemes and those who have not paid their fair share of tax. For instance, the Government will consult on ways to prevent businesses fragmenting their income between unrelated entities.

This will continue to impact people using tax avoidance vehicles such as Employee Benefit Trusts or other “contractor loan schemes” and will not impact Brookson One customers.

4.5 Income from Trading or Property

As previously announced by the Government in 2015, from April 2018 the amount of deduction from property income for mortgage interest will be restricted to:

- 50% for 2018 to 2019
- 25% for 2019 to 2020

Individuals will be able to claim a basic rate tax reduction from their Income Tax liability on the portion of the finance costs not deducted when calculating the profit - therefore this will result in an increase in tax if you are a higher rate taxpayer.

FURTHER INFORMATION

If you require further information or assistance regarding the Autumn Budget 2017, please feel free to contact one of our Specialist Customer Advisors on 0800 230 0213 or email newbusiness@brookson.co.uk.