



Spring Budget 2017

March 2017



With you today



**Michelle
Quest**



**Yael
Selfin**



**Robin
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**Colin
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**Jo
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Introduction



Michelle Quest

Head of Tax, Pensions and Legal

Making tax digital



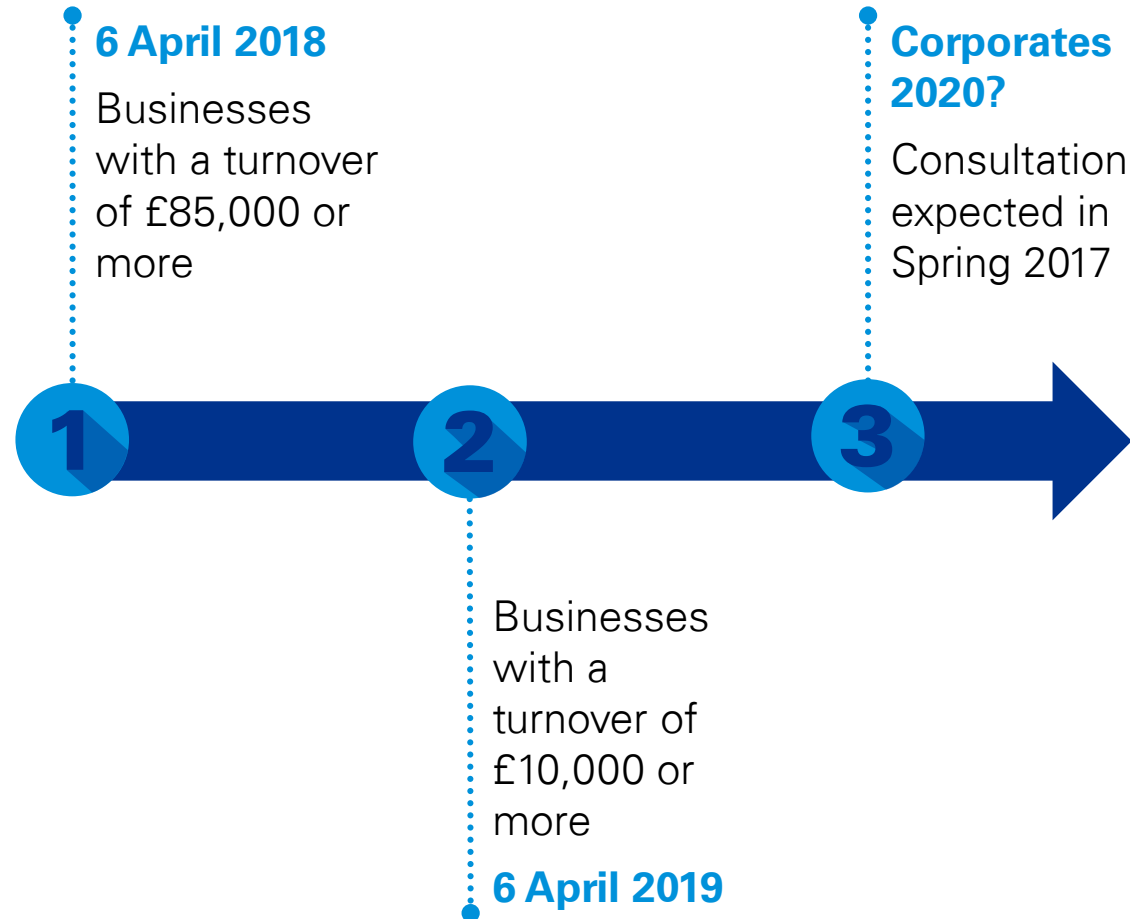
Applies to

unincorporated businesses
(including landlords)

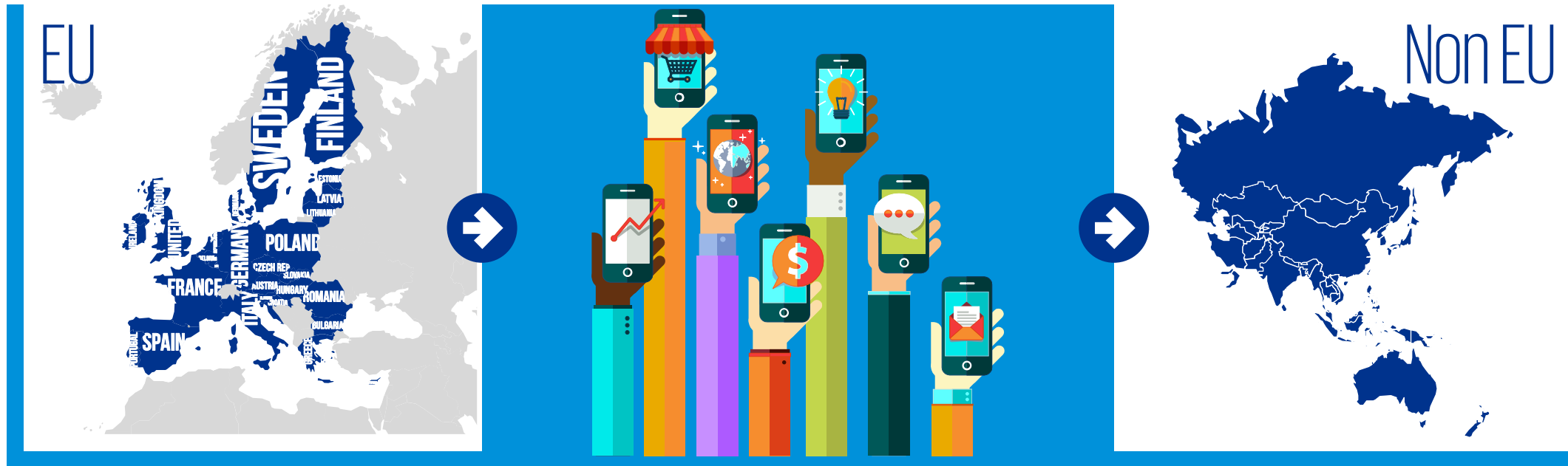


Introduces

mandatory quarterly
reporting and digital
annual filings



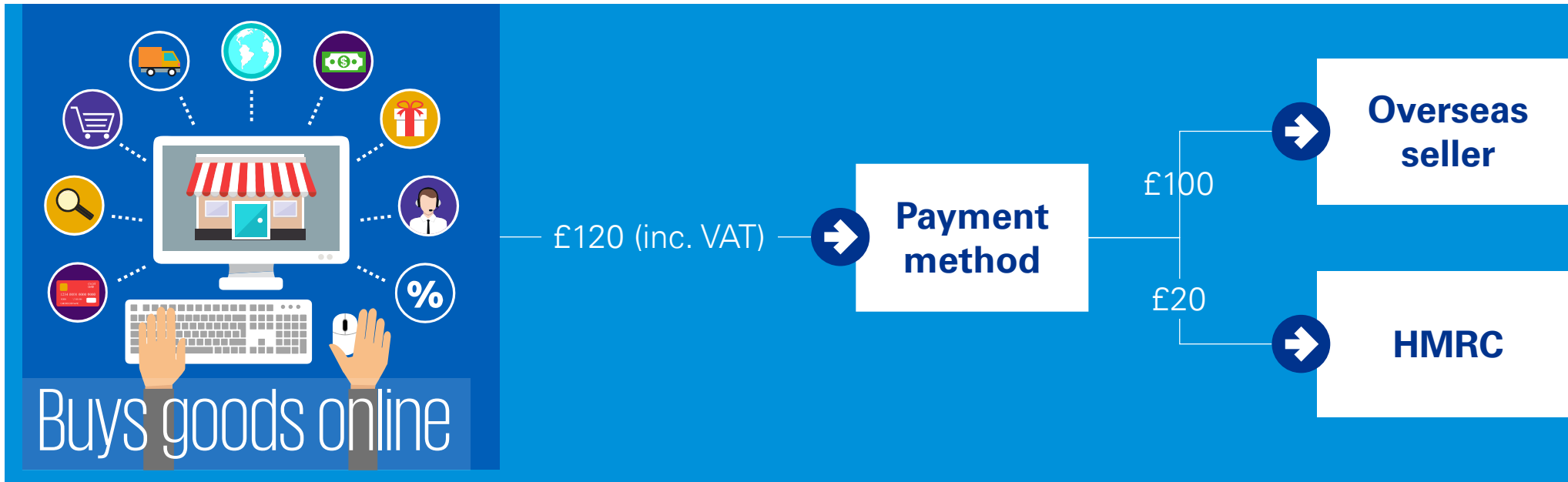
B2C mobile phone services — use and enjoyment



- HMRC have announced their intention to apply VAT to roaming charges effective 1 August 2017 where UK consumers 'use and enjoy' telecom services outside the EU – typically roaming charges
- Described as aligning the UK with OECD principles and removing the different VAT treatment applied when consumers roam within the EU (subject to UK VAT) and outside the EU (currently not subject to UK VAT)
- Revenue raised estimated at £65million per annum



Split Payment Model



In Budget 2016, a number of measures were announced to help tackle VAT evasion by overseas sellers making supplies in the UK. This included making online marketplaces jointly and severally liable for any undeclared VAT

- HMRC are now looking at a new VAT collection mechanism for online sales by overseas traders which could 'harness technology to allow VAT to be extracted directly by the Exchequer from online transactions at the point of purchase'
- A call for evidence (the first step in the formal consultation process) is expected on the 20 March 2017





Economic outlook

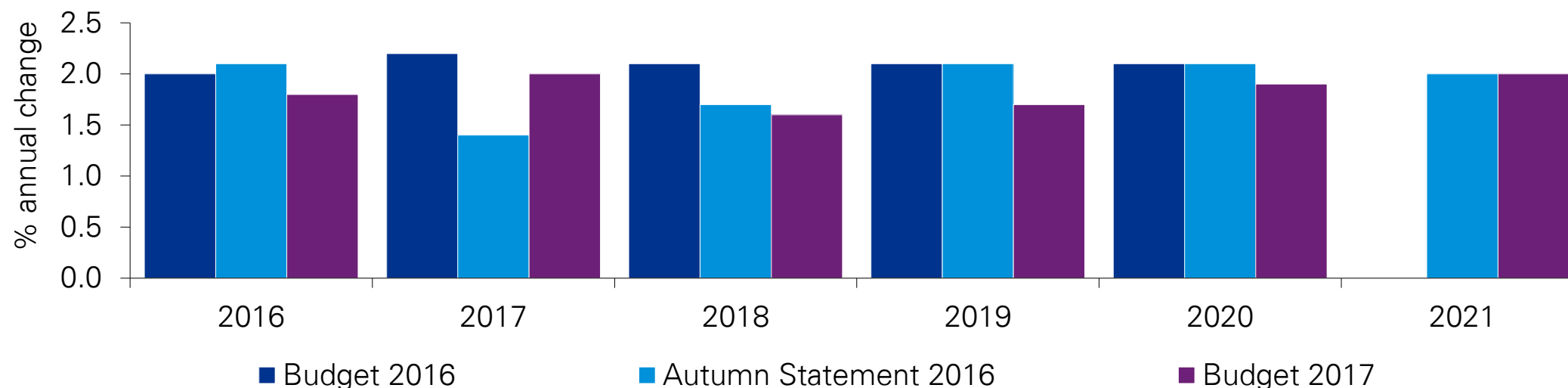


Yael Selfin

Chief Economist

OBR's mixed GDP growth revision

GDP growth projections (%)						
% annual change	2016	2017	2018	2019	2020	2021
Budget 2016	2.0	2.2	2.1	2.1	2.1	
Autumn Statement 2016	2.1	1.4	1.7	2.1	2.1	2.0
Budget 2017	1.8	2.0	1.6	1.7	1.9	2.0



Source: Office of Budget Responsibility



Stronger economic growth (for now) created a temporary boost to government revenues

Current budget receipts (£bn)						
	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22
Budget 2016	716.5	745.8	779.5	820.9	852.2	
Autumn Statement 2016	710.6	738.0	768.0	801.8	834.8	869.2
Budget 2017	721.1	744.2	776.4	806.5	834.8	869.5
Change since Autumn	10.5	6.2	8.4	4.7	0.0	0.4

Source: Office of Budget Responsibility



But, for now, the Chancellor is content to bank the revenues

Total managed expenditure (£bn)						
	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22
Autumn Statement 2016	778.8	797.0	814.5	823.7	855.6	886.4
Budget 2017	772.8	802.4	817.2	827.9	855.4	886.4
Difference	-6.0	5.4	2.7	4.2	-0.2	0.0

Total managed expenditure as a % of GDP						
	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22
Budget 2016	39.7	38.8	38.0	37.0	36.9	
Autumn Statement 2016	39.9	39.8	39.1	38.0	38.0	37.8
Budget 2017	39.3	39.6	39.0	38.2	38.0	37.9

Source: Office of Budget Responsibility



Public sector net borrowing is little changed

Public sector net borrowing £bn						
	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22
Autumn Statement 2016	68.2	59.0	46.5	21.9	20.7	17.2
Budget 2017	51.7	58.3	40.8	21.4	20.6	16.8
Difference	-16.5	-0.7	-5.7	-0.5	-0.1	-0.4

Public sector net borrowing as a % of GDP						
	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22
Budget 2016	2.9	1.9	1.0	-0.5	-0.5	
Autumn Statement 2016	3.5	2.9	2.2	1.0	0.9	0.7
Budget 2017	2.6	2.9	1.9	1.0	0.9	0.7

Source: Office of Budget Responsibility



Public sector net debt projected to fall a little faster

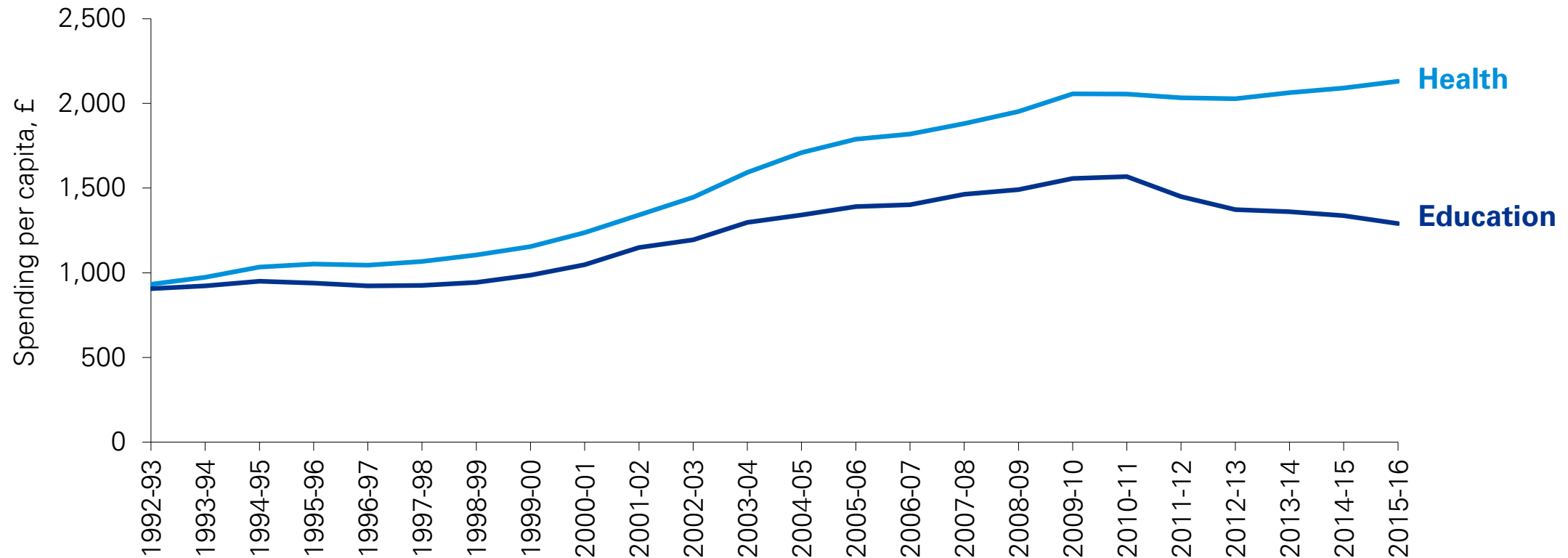
Public sector net debt as a % of GDP						
	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22
Budget 2016	82.6	81.3	79.9	77.2	74.7	
Autumn Statement 2016	87.3	90.2	89.7	88.0	84.8	81.6
Budget 2017	86.6	88.8	88.5	86.9	83.0	79.8

Source: Office of Budget Responsibility



Real spending per capita has flat-lined for health and fallen for education

Real spending per capita

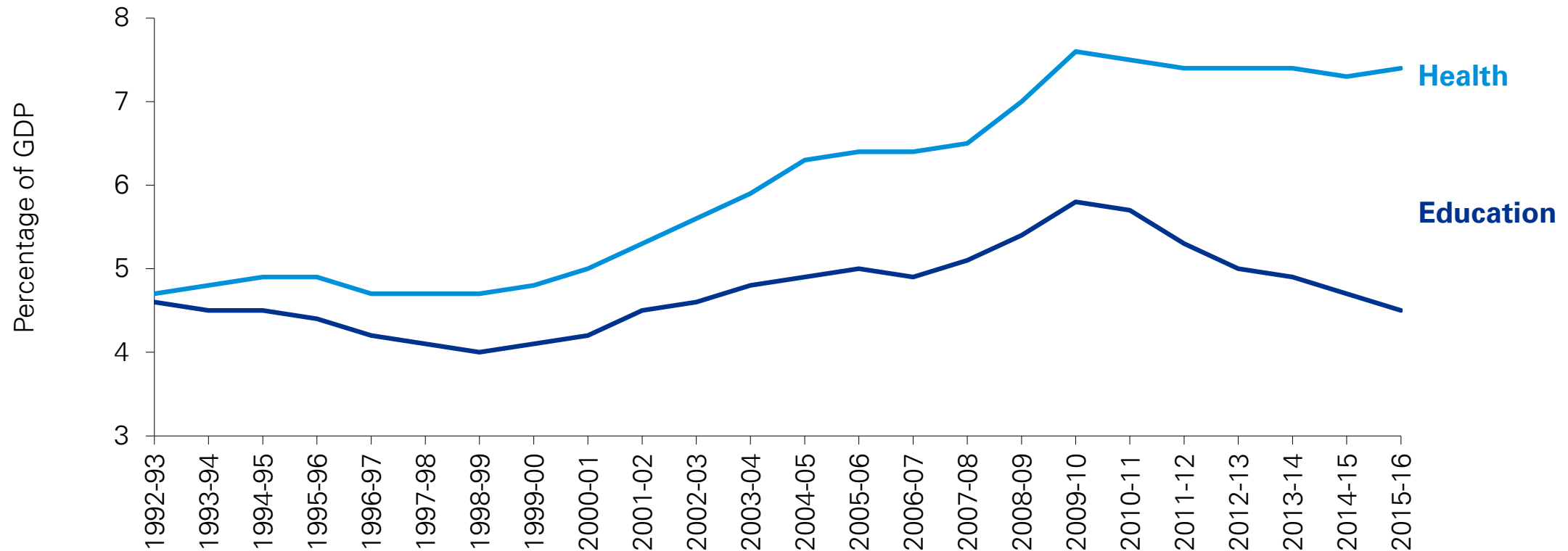


Source: HM Treasury, Public Expenditure Statistical Analyses, 2016; ONS Population estimates 2016; OBR GDP deflator 2016



And spending on health and education has been falling as a share of GDP

Spending on health and education as a % of GDP



Source: HM Treasury, Public Expenditure Statistical Analyses, 2016





Corporation Tax



Robin Walduck

Head of International Tax

Key headlines

Stability and certainty

- Renewed commitment to lower corporate tax rates to 19% from April 2017 and 17% in April 2020
- Further consultations after Finance Bill 2017 on certain areas
 - Exemption for interest on multilateral trading facility
 - Renew/extend administrative simplifications of the Double Tax Treaty Passport Scheme
 - Non-UK resident companies chargeable to Income Tax and non-resident CGT
 - Lease accounting changes
 - Risk-profiling of large businesses

R&D

- Patent box: narrowing the definition of a cost-sharing arrangement and aligning the treatment of payments with effect from 1 April 2017.
- Simplification of R&D compliance

Appropriations to trading stock

- Anti-avoidance to remove the ability of companies with loss-making capital assets to convert those losses into more flexible trading losses. Immediate effect.

Simplification of SSE rules

- Following consultation amendments have been made to provide further clarity and certainty in addition to the simplification measures already announced. Effective from 1 April 2017.

Oil and Gas

- Expert panel review of North Sea tax rules to spur fresh investment in UK oil and gas assets
- The loss relief reform legislation published on 26 January will be revised to include provisions for oil and gas companies and oil contractors. Effective from 1 April 2017.



BEPS Update

BEPS action 4

Budget comments on the draft legislation published in December 2016:

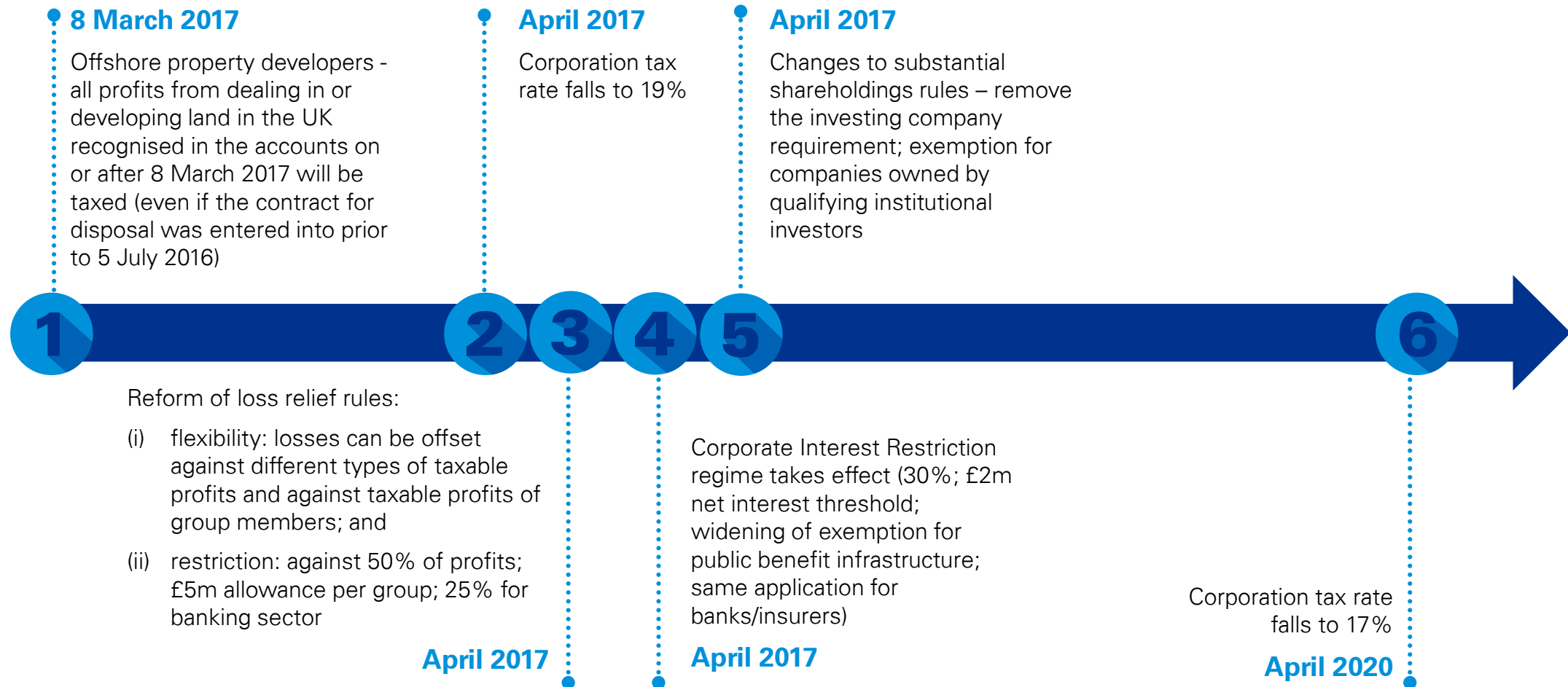
- Budget comments on the draft legislation published in December 2016:
- Unintended restrictions on carry-forward expense removed;
- Optional alternative rules for public infrastructure to be amended to make them easier to apply in practice;
- Carve out of certain guarantees (performance, granted before 31 March 2017 and intra-group for the GRR)
- Definition of tax interest will include income and expenses from dealing in financial instruments for banking clients;
- Insurers will have the option of calculating interest on an amortised cost basis.

Commitment to BEPS Action 2

- Commitment to announcement in Autumn statement, draft guidance released in December 2016
- Two changes to legislation set out in a technical note published on 5 December 2016, effective from 1 January 2017
- A removal of the need to make a formal claim in certain circumstances (time period rules where there are mismatches involving financial instruments)
- Ensure that deductions for amortisation are treated in line with the OECD's recommendations – disregarding such deductions in certain circumstances



Changes to come





Employment Tax



Colin Ben-Nathan
Partner, Employment Tax

Employment Tax

The future world of work: employment, self-employment and PSCs

- The Taylor Review – publication in Summer 2017
- Ongoing DWP and BEIS reviews, focussed on self-employment and the gig economy
- Increase in main rate of Class 4 NIC to 10% from 6 April 2018 and 11% from 6 April 2019
- Elephant in the room: Class 1 Employer's NIC
- Further consultations to follow later in the year?
- IR35 in the Public Sector
- Micro-businesses: a reduction of the dividend allowance to £2,000 from 6 April 2018

Salary sacrifice and flexible benefits

- No further news in the Budget
- However, final legislation and guidance will be published on 20 March with Finance Bill 2017
- Ongoing uncertainty regarding the scope and application of the legislation is only gradually being addressed
- Too late in the day!

Benefits-in-kind and employee expenses

Two calls for evidence to be published on 20 March, looking at the following:

- Exemptions and valuations of benefits-in-kind, and whether they can be made fairer or more consistent
- The use of income tax relief for employee expenses, including those not reimbursed by the employer

Accommodation benefits

- Consultation to be published on 20 March
- Seeking to identify ways to modernise and simplify the tax treatment of employer-provided accommodation and board & lodging
- Builds on feedback from a call for evidence held in early 2016



Employment Tax (cont.)

Anti-avoidance: Qualifying Recognised Overseas Pension Schemes (QROPS)

- From 9 March 2017, QROPS transfers are taxable unless, from the point of transfer, both the individual and the pension savings are in the same country, both are within the European Economic Area (EEA) or the QROPS is provided by the individual's employer
- If not, a 25% tax charge on transfer will apply and the tax charge will be deducted before the transfer by the pension scheme administrator

Other measures

- Image rights – HMRC to publish guidance to improve the clarity of existing rules
- The NIC Employment Allowance – active monitoring by HMRC of use following recent press articles
- Alignment of limitation period for NIC with income tax





Private Client



Jo Bateson

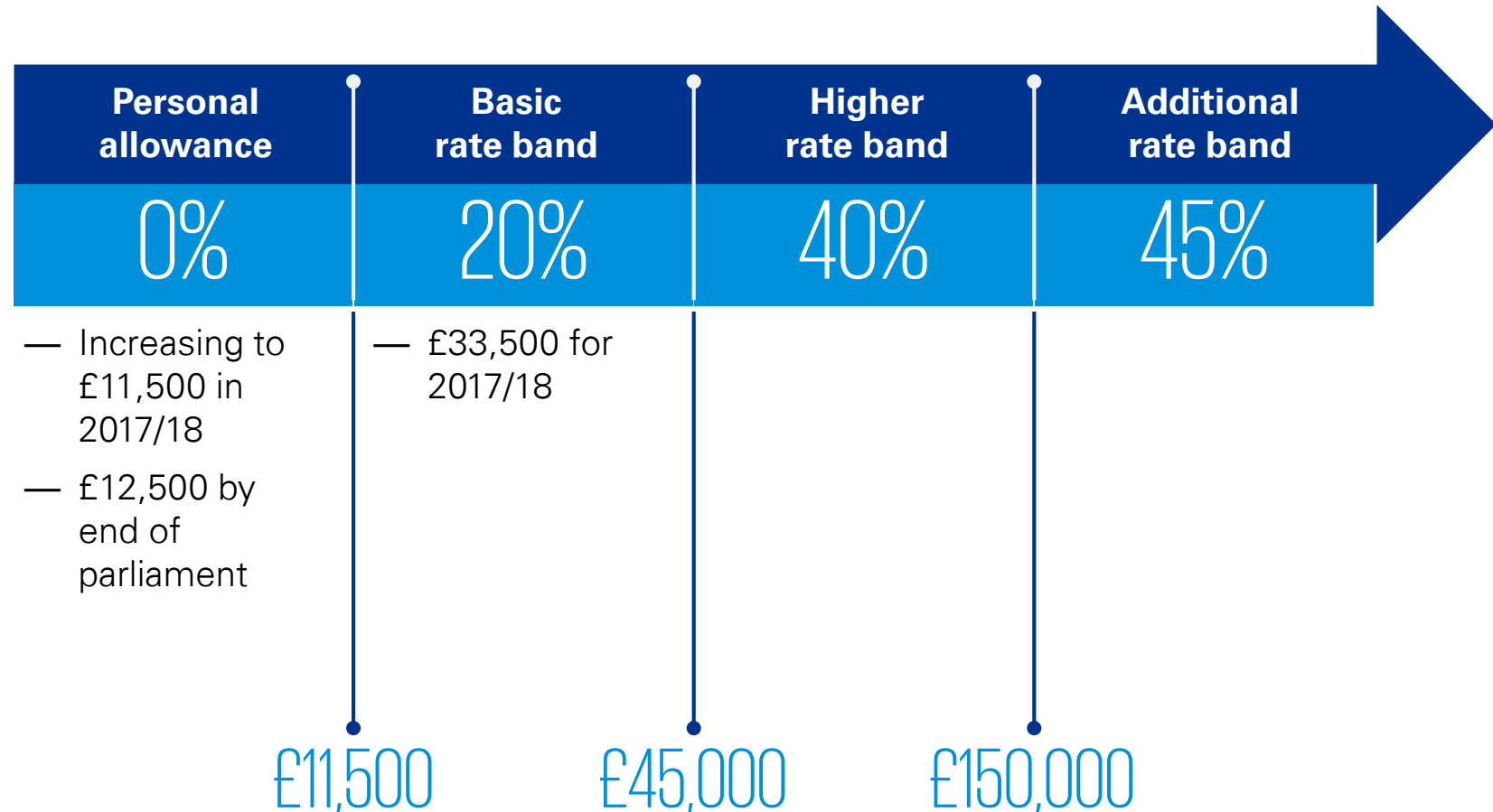
Private Client Partner

Private Client

NEWS

Headlines

- Dividend allowance reduced to £2,000 from April 2018
- CGT rates remain the same
- Non-UK domicile changes – no change to timetable

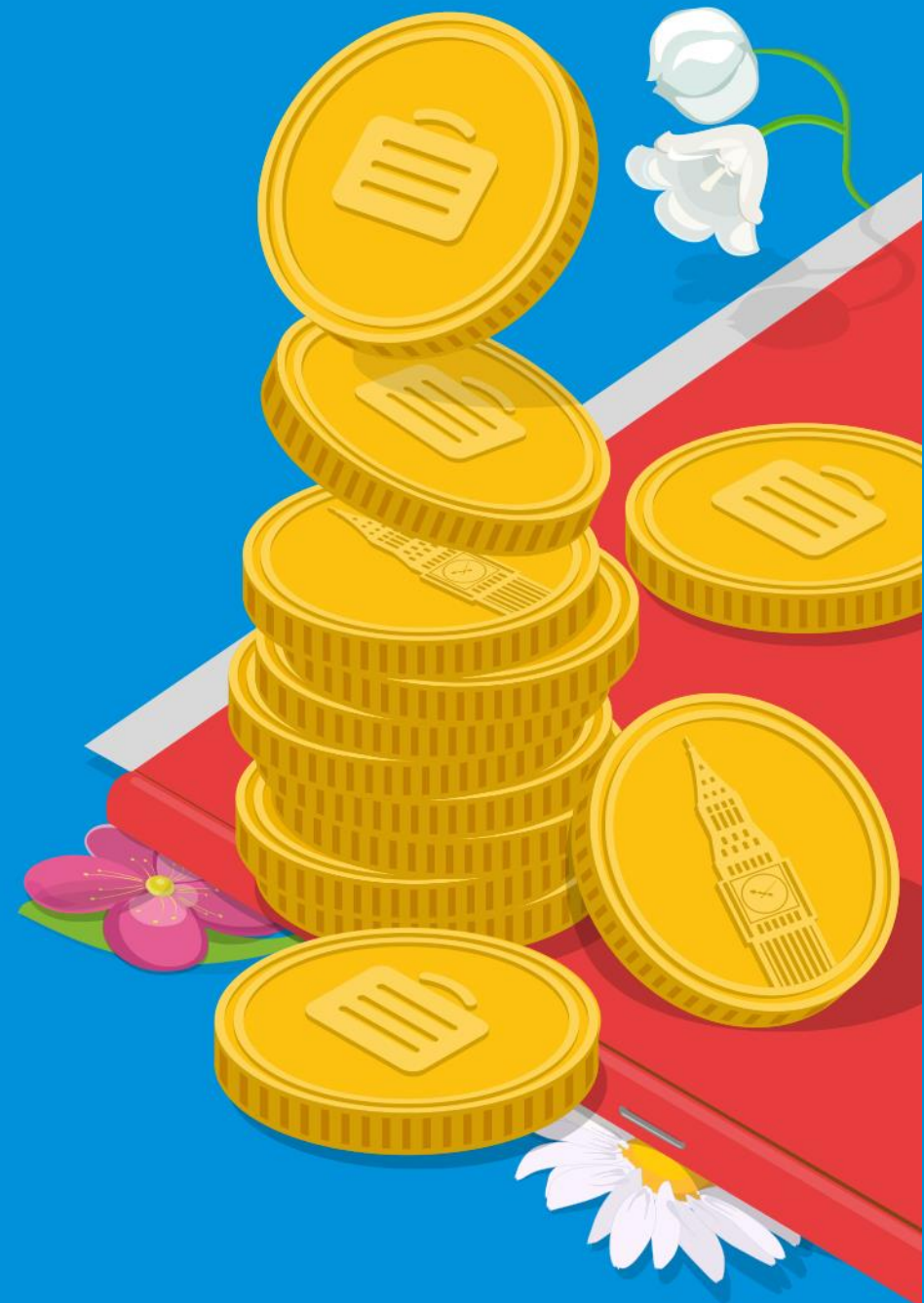




Q&A

Michelle Quest

Head of Tax, Pensions and Legal Services





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