



# Autumn Budget 2017 Webinar

November 2017



# Introduction

**“With a difficult backdrop to this year’s Budget, the Chancellor of the Exchequer has delivered a political budget with targeted giveaways and consultations on more difficult decisions.”**



# With you today



**Melissa Geiger**  
Head of  
International Tax



**Yael Selfin**  
Chief Economist



**Gary Harley**  
Partner, Indirect Tax



**Colin Ben-Nathan**  
Partner, Employment Tax



# What are we covering today?



**Melissa Geiger**

Head of International Tax

# What are we covering today?

- **Economic outlook**
- **Business tax highlights**
- **Indirect tax highlights**
- **Employment tax highlights**
- **Q&A**





# Economic outlook



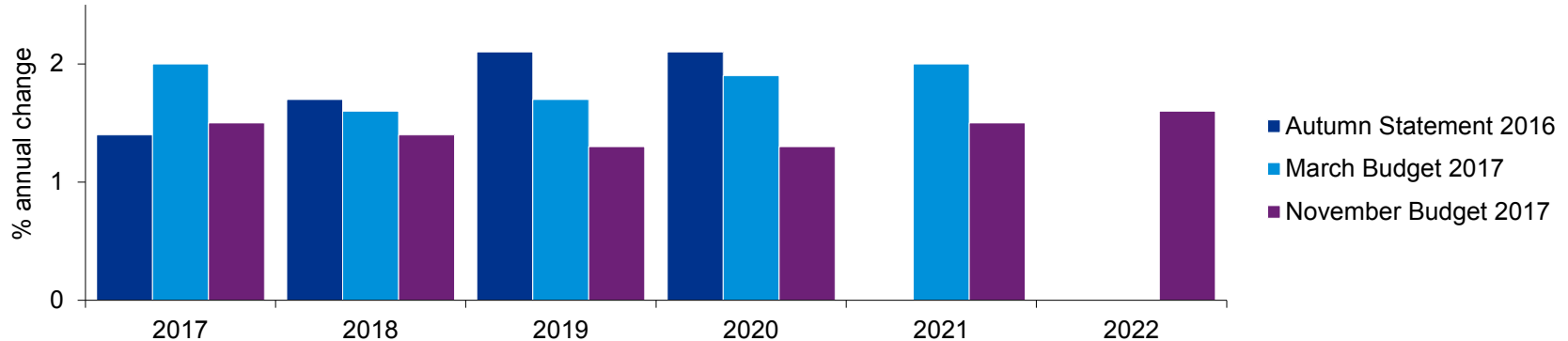
**Yael Selfin**

Chief Economist

# OBR's significant downward revision to growth

GDP growth projections (%)						
% annual change	2017	2018	2019	2020	2021	2022
Autumn Statement 2016	1.4	1.7	2.1	2.1		
Spring Budget 2017	2.0	1.6	1.7	1.9	2.0	
Autumn Budget 2017	1.5	1.4	1.3	1.3	1.5	1.6

Source: Office of Budget Responsibility



Source: Office of Budget Responsibility

# Weaker economic growth to reduce government revenues

Current budget receipts (£bn)						
	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23
Autumn Statement 2016	738.0	768.0	801.8	834.8		
Spring Budget 2017	744.2	776.4	806.5	834.8	869.5	
Autumn Budget 2017	745.4	769.8	792.0	817.2	841.6	871.3
Change since Spring	1.3	-6.6	-14.5	-17.6	-27.9	

Source: Office of Budget Responsibility. Numbers may not add up due to rounding.



# But spending will not be reduced by a similar amount

Total managed expenditure (£bn)						
	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23
Spring Budget 2017	802.4	817.2	827.9	855.4	886.4	
Autumn Budget 2017	795.3	809.3	826.7	849.9	871.7	896.8
Difference	-7.1	-7.9	-1.2	-5.4	-14.6	

Total managed expenditure as a % of GDP						
	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23
Autumn Statement 2016	39.8	39.1	38.0	38.0		
Spring Budget 2017	39.6	39	38.2	38.0	37.9	
Autumn Budget 2017	38.9	38.5	38.3	38.2	37.9	37.7

Source: Office of Budget Responsibility

# Public sector net borrowing to rise slightly as a result

Public sector net borrowing £bn						
	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23
Spring Budget 2017	58.3	40.8	21.4	20.6	16.8	
Autumn Budget 2017	49.9	39.5	34.7	32.8	30.1	25.6
Difference	-8.4	-1.3	13.3	12.2	13.3	

Public sector net borrowing as a % of GDP						
	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23
Autumn Statement 2016	2.9	2.2	1.0	0.9		
Spring Budget 2017	2.9	1.9	1.0	0.9	0.7	
Autumn Budget 2017	2.4	1.9	1.6	1.5	1.3	1.1

Cyclically adjusted net borrowing as a % of GDP						
	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23
Spring Budget 2017	2.9	1.9	0.9	0.9	0.7	
Autumn Budget 2017	2.3	1.8	1.5	1.3	1.2	1.1

Source: Office of Budget Responsibility

# Public sector net debt to fall over the forecast period

Public sector net debt as a % of GDP						
	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23
Autumn Statement 2016	90.2	89.7	88.0	84.8		
Spring Budget 2017	88.8	88.5	86.9	83	79.8	
Autumn Budget 2017	86.5	86.4	86.1	83.1	79.3	79.1

Source: Office of Budget Responsibility



# Business Tax



**Melissa Geiger**

Head of International Tax

# Introduction

**“A business friendly budget light on immediate changes, but none the less contains some points to watch for multinational businesses.”**



# Incentivising investments



## Corporation Tax Rates

No change to previously announced rate reduction to 17% from April 2020

- Corporation tax on chargeable gains, indexation allowance frozen



## RDEC

Increase on R&D Expenditure Credit (RDEC) to 12%

- For each £100 spent of R&D, the government will fund £10



## National Productivity Investment Fund

Additional £2.3 billion investment in National Productivity Investment Fund

- Pilot of a new Advanced Clearance service



## SMEs

No increase on SMEs regime

- Launch of awareness campaign

# Digital economy – broadening the tax base



**Is this position paper a game changer?**



**Is this a digital roadmap?**



**Unexpected royalty withholding tax**



# Stamp Duty



First-time buyer relief  
(worth up to **£5,000**) for  
the first **£300,000** paid,  
effective immediately



Minor changes to the  
rules on the higher  
**(+3%)** rates for  
purchases of additional  
dwellings





# Property Tax measures

## Non-residents Tax gains on UK immovable property

- Gains made by non-residents on the disposal of all types of UK real estate will be taxed from 1 April 2019
  - Creation of new single regime for the disposal of residential and commercial real estate
  - Elimination of current exemption for widely-held non-resident companies
  - Extension of indirect disposals of “property rich” entities such as companies, partnerships and property unit trusts

## Reforms to Business rates

- Additional £2.3 billion to support businesses and improve the fairness of the system, over the next 5 years





# Indirect Tax



**Gary Harley**

Partner, Indirect Tax

# Indirect Tax

## Import VAT, Brexit and postponed accounting

- For intra EU supplies, no VAT is paid by the purchaser. The purchaser accounts for VAT via their VAT return.
- Post Brexit, import VAT will have to be paid on purchases from the remaining EU Member States.
- The Government has recognised the cash flow disadvantage this creates and will take this into account when considering future changes following EU Exit.
- More than 50% of EU Member States offer some sort of relief.

## Maintaining of thresholds for 2 years

- UK threshold significantly higher than other countries (EU average is around £20,000).
- The Chancellor noted in particular the distortive impact the current threshold has on business behaviour.
- Agreed to review whilst leaving at current registration level of £85,000 for two years.
- Impact – Revenue raiser increasing to £170m in 2022 to 2023.

## Online marketplaces

- Joint and several liability widened to cover all sellers.
- New requirement for marketplace to display the seller's VAT number.
- Aims to assist HMRC and the marketplaces identify non-compliant traders.
- Impact – Revenue raiser settling at +£45 million in 2022 to 2023.



**On Friday  
1 December**



VAT split payment for online payments

VAT and vouchers

VAT grouping



# Employment Tax



**Colin Ben-Nathan**

Partner, Employment Tax

# Employment Tax



## IR35 and the private sector

- Consultation to take place in the coming months
- Public sector experience and external research to be taken into account in 2018
- A welcome willingness to listen and time for employers to prepare

## Employment status and the Taylor Review

- Discussion paper to be published in response to the Taylor Review
- Focus on reform of the status tests to make them clearer for tax and employment rights purposes
- “Supervision, Direction or Control”..?
- A hope for clearer and closer alignment in future

## Employee expenses and benefits

- Follows a call for evidence earlier this year
- Benchmark scale rates
- Overseas scale rates
- Self-funded training
- Improved guidance and process for submitting relief claims
- Exemption for electric vehicle charging

## Other matters

- Disguised remuneration – introduction of the “close companies gateway”
- Time limits for cases of offshore non-compliance
- Penalties for late or missing tax returns – a new points-based system
- What wasn’t included?
  - OpRA fine-tuning
  - Accommodation consultation

# Pensions and Personal tax

## No significant announcements





# Q&A



**Melissa Geiger**

Head of International Tax





[kpmg.com/uk/autumnbudget2017](https://kpmg.com/uk/autumnbudget2017)



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