

# Autumn Statement 2016

## A plan for action or just novel ideas?

How will it affect you, your family and your business?  
Commentary and analysis from Rouse Partners

It has been just eight months since the last Budget announcement, but in this time we have seen seismic change and unprecedented levels of uncertainty.

Though, from a tax perspective, there were at least some certainties we knew before the Autumn Statement took place. For instance, Mr Hammond had already announced that plans to return the economy to a surplus by 2020 are to be abandoned.

The government's hands were also tied in some areas of tax by the tax lock put in place by George Osborne, under which the government pledged not to increase income tax, national insurance or VAT over its current term.

So the question was, how creative could Mr Hammond get to stimulate the economy



BY: **OSCAR WINGHAM** Partner - Business Tax

[oscar.wingham@rousepartners.co.uk](mailto:oscar.wingham@rousepartners.co.uk) | t: 01494 675321

and drive inward investment in the face of the UK's impending exit from the EU and the US presidency shake-up. In this summary we look at the impact on businesses and individuals.

Overall, the Autumn Statement was fairly light on tax changes, with the Chancellor instead focusing on increased borrowing to stimulate investment and prop up falling growth forecasts. Consumer spending however, remains resilient for the time being at least.

The Chancellor committed a £7m grant to the restoration of Wentworth Woodhouse whose former owner inspired Jane Austen's, Mr Darcy. However, the words of Jane Austen might more accurately describe this year's Autumn Statement:

*"A few clever things said, a few downright silly, but by much the larger proportion neither the one nor the other".*

One of the surprise announcements was that this would be the last Autumn Statement, with a Spring Statement and Autumn Budget next year, which in itself is an indication that no significant changes would be made. If the timing goes to plan, the next budget announcement will be shortly after Article 50 is triggered, in which case we may see a greater reaction to wider economic pressures. But not today.

As always, if you have any specific concerns, or would like to discuss how our team can assist you, please do not hesitate to contact us.

### Inside....

- ▶ Growth revised with further spending plans revealed
- ▶ Boost for construction sector
- ▶ Spending announced for small and growing businesses
- ▶ Rising National Minimum Wage sees £500 increase for full-time employees
- ▶ Tax avoidance measures stepped up

# Economy



"It is clear that Brexit is having some impact on the economic horizon, even if it is not being felt just yet, as consumer spending has remained resilient. The OBR did show some caution on the growth forecasts for the years ahead. The

Chancellor meanwhile tried to reassure businesses that investment and spending would not be curtailed, despite rising debt. The Government will no longer seek a budget surplus in 2019-20, but is committed to returning public finances to balance 'as soon as practicable'. As we expected there were not too many giveaways, rather small tweaks to appease the public", says Neil Relph, Managing Partner, Rouse Partners.

## Key highlights

- ▶ OBR growth forecast upgraded to 2.1% in 2016 (from 2.0%) then downgraded to 1.4% in 2017 (from 2.2%).
- ▶ Forecast growth of 1.7% in 2018, 2.1% in 2019 and 2020 and 2% in 2021.
- ▶ Borrowing is forecast to be £122bn higher in the period until 2021 than forecast in March's Budget.
- ▶ Public spending this year to be 40% of GDP (down from 45% in 2010).

# Individuals

"As expected there were few giveaways in this year's Autumn Statement. Instead we saw the continuation of a pre-announced increase of the personal tax-free allowance and a commitment to further increases in the future."

"Meanwhile, the wider measures to boost homebuilding, infrastructure improvements and stimulate the economy are likely to have the greatest indirect impact on improving living standards and wealth creation", says Oscar Wingham.

## Key highlights

- ▶ Personal tax-free allowance to rise to £11,500 in April 2017.
- ▶ A commitment made for the personal tax-free allowance to rise to £12,500 & higher-rate threshold to £50,000 by 2020.
- ▶ A new savings bond will be launched through National Savings and Investments, with an interest rate expected to be set at about 2.2%. The bond will be open to those aged 16 and over, subject to a minimum investment limit of £100 and a maximum investment limit of £3,000. Savers must put in their money for three years. The equivalent best-buy three-year bond on the market now pays interest of 1.62%. The new product will be available for 12 months from Spring 2017. The chancellor said he expected two million people to benefit.
- ▶ The amount that you can save into a pension (once you have already taken some money out) has been reduced to clamp down on those seeking "double tax relief". This will hit hundreds of thousands of people, aged 55 and over, who have used the new "pension freedoms" available since April 2015 and taken cash from their pension pots.



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- ▶ Employee and employer National Insurance thresholds are to be equalised at £157 per week from April 2017, at a maximum cost to business of £7.18 per employee a year.
- ▶ The government is introducing a new tax relief to help those who buy and sell on a small scale, such as on internet auction sites or at car boot sales. From April 2017, the first £1,000 a year of income will not be taxable. There will be similar relief for the first £1,000 of property income, such as from letting your room via a website.
- ▶ Insurance Premium Tax (IPT), which is charged on insurance premiums will increase from 10% to 12%. This might not be felt by individuals immediately but will when renewals are due.
- ▶ Fuel duty will remain frozen for a seventh consecutive year.

# Businesses and employees



"The majority of measures outlined aren't likely to generate a shock reaction from the UK's business

community. In fact, we suspect that many of the proposals – which include a £23bn National Productivity Fund and a £400m injection for Venture Capital funds, will come as a welcome surprise to small business owners."

"On the downside the rise in National Living Wage did come as a shock as there had been talks of it falling or being scrapped in light of Brexit. This will cost employers around an extra £500 per annum for a full-time worker."

"Whilst the Chancellor also announced restrictions to salary sacrifice benefits, the core schemes of pension contributions, child care and cycle to work will remain which is positive news as these are the key benefits that can make a difference for middle income earners and save on both the employees' and employers' National Insurance bill." says, Oscar Wingham.

## Innovative and growing businesses to benefit

"Innovative and growing businesses will have been pleased with the Autumn Statement and the government's commitment to supporting continued development. Whilst an expansion to the R&D Tax Credits scheme was not announced, further Government investment into R&D projects shows that they are keen for British businesses to continue to innovate." says, Oscar Wingham.

## Key highlights

- ▶ Corporation tax (which is currently 20%) will fall to 17% from 2020.
- ▶ A £400m injection was pledged to help start-ups become scale-ups.
- ▶ Doubling of UK export finance capacity to support British exporters.
- ▶ The government will abolish the 'Employee Shareholder Status' (ESS), which allows employers to offer tax efficient shares to employees in return for them sacrificing some of their employment rights.
- ▶ A £23bn National Productivity Investment Fund (NPIF) will provide major additional spending to specific areas to boost productivity: transport, digital communications, research and development (R&D).
- ▶ Salary Sacrifice to be significantly scaled back with perks like phone and gym contracts, or buying cars and TVs to be axed, but with work benefits like pension saving, childcare and bicycles to remain.
- ▶ The National Living Wage will increase from £7.20 to £7.50 an hour from next year.

## Key highlights for growth businesses

- ▶ £2 billion more per year in research and development funding by 2020-21. A major increase in research and development funding for universities and businesses with R&D projects to help the UK remain an attractive place for businesses to invest in innovative research.
- ▶ From April 2017, the government will provide a new 100% business rates relief for new full-fibre infrastructure for a 5 year period.
- ▶ £400m will be invested into venture capital funds through British Business Bank, unlocking £1 billion new finance for growing firms.
- ▶ £1 billion will be invested in full-fibre broadband and trialling 5G networks. The investment will support the private sector to roll out more full-fibre broadband by 2020-21 and will also support trials of 5G mobile communications.
- ▶ For companies that install electric vehicle charge-points, there will also be a two year 100% first year allowance. This means that companies can deduct the cost of the charge-point from their pre-tax profits in that year.

# Construction sector boost



"Infrastructure and housing were at the centre of this year's Autumn Statement. It was pleasing to see investment committed to home building that the construction sector needs to gain momentum again. Personally, I would

have liked to see the Chancellor free up planning regulations which would be a bigger boost to construction firms across the country, and I suspect this will be one of the findings from the white paper study that will be launched" says David Sharp, Partner (Construction and Property), Rouse Partners.

## Key highlights

- ▶ £3 billion home builders fund launched to unlock 200,000 homes and up to £2 billion to accelerate construction on public sector land.
- ▶ Housing white paper will be launched in due course to address longer term challenges.
- ▶ £2.3 billion for housing infrastructure fund to deliver infrastructure for up to 100,000 new homes in areas of high demands and 40,000 affordable homes.
- ▶ A £7.6 million grant towards repairs at Wentworth Woodhouse, the inspiration for Pemberley in Jane Austen's Pride and Prejudice.
- ▶ £1.1 billion of investment will go into local roads and transport.

# Other announcements

## Letting agents

Letting agents in England will be banned from charging upfront fees to tenants. This will happen "as soon as possible", the chancellor said.

## Tax avoidance

- ▶ Measures to stop multi-nationals avoiding tax to raise £5 billion from the largest businesses in the UK.
- ▶ Measures to crackdown on inappropriate tax avoidance to raise around £2 billion over the forecast period.
- ▶ Government to raise £630 million by removing tax benefits of disguised earnings for the self-employed and employers.
- ▶ Rural Rate Relief to be increased to 100% giving small businesses a tax break worth up to £2900.

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Telephone: 01494 675321

Email: [info@rousepartners.co.uk](mailto:info@rousepartners.co.uk)

[www.rousepartners.co.uk](http://www.rousepartners.co.uk)



Rouse Partners LLP  
55 Station Road,  
Beaconsfield, HP9 1QL  
t: +44 (0)1494 675321  
e: [info@rousepartners.co.uk](mailto:info@rousepartners.co.uk)  
[www.rousepartners.co.uk](http://www.rousepartners.co.uk)

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