



AUTUMN STATEMENT 2016

Main Announcements Affecting Business (in Alphabetical Order)

Corporation Tax Rates

The Government has confirmed its commitment to cut the corporation tax rate to 17% by 2020. Despite the speculation, there was no mention of any intention of taking the corporation tax rate lower so that the UK would have the lowest rate in the EEC.

Employee Expenses

The Government intends to carry out a review of income tax relief for employees' business expenses, including those which are not reimbursed by the employer.

Employee Shareholder Status

The Government has concerns that some companies are not using employee shareholding status as intended. Income tax reliefs on the receipt or buy-back of shares issued to an employee under an employee shareholder agreement will be withdrawn, as will the capital gains tax exemption relating to shares received for entering such an agreement. An individual who before 23 November 2016 has taken independent advice on entering an agreement has, depending upon exactly when the advice was received, until 1 December or 2 December 2016 to enter an agreement and still receive the income tax and capital gains tax advantages.

Income Tax Rates and Allowances

As expected, the personal allowance is increased to £11,500 and the basic rate band to £45,000 in 2017-18. The Government has confirmed its commitment to increase the allowance to £12,500 and the basic rate band to £50,000 by the end of the current parliament.

National Insurance: Thresholds

The employee and employer thresholds will be aligned from April 2017 so that both employee and employer will start paying National Insurance contributions on weekly earnings above £157. There will be no cost to employees and the maximum cost to business will be an annual £7.18 per employee according to the Chancellor. This is the first stage in streamlining the National Insurance contributions (NICs) regime.

National Living Wage (NLW) and National Minimum Wage (NMW) Both to Increase

The NLW for those aged 25 and over will increase from £7.20 per hour to £7.50 per hour from April 2017, a 4.2% increase. Treasury estimates suggest that in total, earnings for a full-time worker previously on the NMW will have increased by over £1,400 a year since the introduction of the NLW in April 2016.

The NMW pay rates for 21 to 24 year olds will increase from £6.95 per hour to £7.05. For 18 to 20 year olds, the rate will go up from £5.55 per hour to £5.60, while 16 to 17 year olds will have a similar 5p increase, up from £4.00 per hour to £4.05.

For apprentices, the pay rate will rise from £3.40 per hour to £3.50. All the rate increases are in line with the recommendations of the Low Pay Commission.

In addition, the Chancellor announced the Government is to provide £4.3m in extra funding to strengthen NMW enforcement. This will fund new HMRC teams to proactively review those employers considered most at risk of non-compliance with the NMW.

Patent Box

Legislation to be included in Finance Bill and taking effect for accounting periods commencing on or after 1 April 2017 will ensure that two or more companies carrying out research and development under a “cost sharing arrangement” are neither penalised by nor are able to benefit from their arrangement.

Research and Development

In a separate related announcement, the Government has undertaken to review the R&D tax system of reliefs in an effort to make the UK an even more competitive place to carry out R&D.

Salary Sacrifice Schemes

As widely forecast, measures are to be introduced from April 2017, to ensure that benefits provided as part of a salary sacrifice scheme will be treated the same as cash income. Pensions, pension advice, childcare, cycle to work schemes and ultra-low emission cars will be exempt from the new rules. Any arrangements in place before April 2017 will be protected from the new rules for up to a year and arrangements involving cars, accommodation and school fees will be protected for up to four years.

Tax Avoidance

The crackdown on tax avoidance by the Government\HMRC continues with new penalties which may apply to advisers who assist taxpayers in the use of failed avoidance schemes. Measures will also be introduced to limit a tax avoider’s defence against penalties in certain cases. Anti-avoidance legislation intended to counter disguised remuneration schemes will be extended to include similar schemes used by the self-employed and tax relief for an employer’s contributions to disguised remuneration schemes will be denied unless tax and national insurance is paid within a specified period.

