

## Spring Statement 2018

Following changes to the government's fiscal timetable, Chancellor Philip Hammond presented his first Spring Statement on 13 March 2018. This newsletter summarises the latest news and forthcoming measures that may affect you and your business. For further advice, please contact us.



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### First Spring Statement heralds the 'light at the end of the tunnel'

Chancellor Philip Hammond has presented his first Spring Statement, with something of a spring in his step.

Responding to the latest economic forecasts from the Office for Budget Responsibility, Mr Hammond revealed that the economy is expected to grow at the slightly faster rate of 1.5% in 2018, compared with the 1.4% forecast in the Autumn Budget.

Debt and borrowing have been revised downwards, with the budget deficit now set to reach £45.2bn this year and debt expected to start falling as a share of GDP from next year. Inflation is also predicted to fall back down to the Bank of England's 2% target over the coming 12 months. The Chancellor suggested that the UK's public finances have reached a 'turning point'.

While openly challenging his own reputation as a pessimist, the Chancellor rejected calls to ease the squeeze on spending, asserting that UK debt remains 'too high' and heralding the government's 'balanced approach'. However, he did pave the way for potential increases in public spending from 2020 onwards, revealing plans for a detailed Spending Review in 2019.

Mr Hammond also used the Spring Statement to report on the progress made on a number of the measures previously announced at the Autumn Budget.

Having previously announced that business rates revaluations will take place more frequently, the Chancellor has now brought forward the next revaluation by a year, to 2021. He also revealed that an estimated 60,000 people have so far benefitted from the stamp duty land tax exemption introduced for first-time buyers in the Autumn Budget.

With Brexit negotiations ongoing, the Chancellor confirmed that over £1.5bn has been allocated to departments and devolved administrations in preparation for the UK's exit from the EU. He also announced the first allocation of funding from the Challenge Fund, which will provide money to support the roll out of full-fibre broadband to 13 areas of the UK.

The Chancellor also committed more than £500m a year to support the new post-16 T-Levels, with £50m a month being made available to help employers prepare for T-Level work placements.

Turning to future changes to the tax system, the Chancellor launched consultations on a number of key areas, including the impact of the VAT registration threshold on small businesses, tackling single-use plastic waste, and new incentives to encourage the 'great British white van driver' to go green.

**If there are any Eeyores in the Chamber, they're over there. I, meanwhile, am at my most positively Tigger-like today.**





# Measures announced

Although the Spring Statement is not intended to be a major fiscal event, the Chancellor did announce some business and investment measures.

## Business rates

At the Autumn Budget 2017 it was announced that business rates revaluations will take place every three years, rather than every five years, following the next revaluation. At the Spring Statement the Chancellor announced that the next revaluation will be brought forward from 2022 to 2021, meaning that the first change to three-year revaluations will take place in 2024.

## Full-fibre broadband

Following the launch at the Autumn Budget of the £190m Challenge Fund to help roll out full-fibre broadband to local areas, the Spring Statement allocates the first wave of funding, providing over £95m for 13 areas across the UK.

## House building

The government has a target of raising the supply of homes to 300,000 a year on average by the mid-2020s. In the Spring Statement it was announced that the Housing Growth Partnership, which provides financial support for small housebuilders, will be more than doubled to £220m. London will receive £1.67bn to start building a further 27,000 affordable homes by the end of 2021/22.

## Improving transport in English cities

The government is now inviting bids from cities across England for the remaining £840m of the £1.7bn fund announced in the Autumn Budget for improving transport in English cities.

## Apprenticeships

The Chancellor announced that up to £80m of funding will be released to support small businesses in engaging an apprentice.

## Increase in the pensions Lifetime Allowance

The Lifetime Allowance represents the maximum amount that an individual can save into their pension pot and still benefit from tax relief at their marginal rate. As previously announced, it will increase in line with CPI for 2018/19, rising from £1,000,000 to £1,030,000.

## New National Living Wage (NLW) and National Minimum Wage (NMW) rates

From 1 April 2018 the NLW for workers aged 25 and over will rise to £7.83 per hour. The NMW rates will also increase, rising to £7.38 for those aged 21-24 and to £5.90 for workers aged 18-20. The rate for 16 and 17-year-olds will go up to £4.20, while the NMW for apprentices (those under 19, or 19 or over and in the first year of their apprenticeship) will be set at £3.70.

## Looking ahead

The Chancellor announced various consultations on future changes. These can be found online under 'Consultations' at [gov.uk](https://www.gov.uk).

### VAT registration threshold

Last year a review by the Office of Tax Simplification recommended that the government examine the current approach to the VAT threshold, suggesting that the existing design of the threshold may be disincentivising small businesses from growing their business.

A new consultation examining the effect of the current threshold on small businesses will run until 5 June 2018. Businesses can contribute their views online at [www.surveymonkey.co.uk/r/W7TLCZ7](https://www.surveymonkey.co.uk/r/W7TLCZ7).

### Tax relief on training and skills

The government is to consult on extending the current tax relief to support self-employed people and employees when they fund their own training, particularly retraining or upskilling for those changing career.

### Entrepreneurs' Relief

The government is inviting views on changes to Entrepreneurs' Relief to ensure that it does not discourage entrepreneurs from seeking external finance for their companies. Currently, entitlement to the special 10% rate of capital gains tax may be lost when an entrepreneur's company issues new shares and as a result causes their personal stake to fall below 5%.

A new proposal allows an individual in this position to elect to be treated as if they had disposed of their shares and reacquired them at their market value just before the time the company issued new shares. The individual may claim Entrepreneurs' Relief on that gain either at the time of election, or on a future disposal of shares.

### Cash and digital payments

With the rise in recent years of digital payments, the government is consulting on ways to support people and businesses who use these methods. At the same time it will examine ways to ensure that those who need to are still able to pay with cash, while preventing the use of cash to evade tax or launder money.

### VAT, Air Passenger Duty (APD) and tourism

Concerns have been raised about the impact of VAT and APD on tourism in the UK, and particularly in Northern Ireland. The government is therefore seeking evidence on the significance of any impacts that VAT and/or APD have on tourism.

### Single-use plastic waste

The government is seeking views on using the tax system to encourage the 'responsible use of plastic'. It intends to use some of the money raised from any tax changes to encourage the creation of new, greener products and services. In addition, £20m from existing budgets will be given to businesses and universities to research ways to reduce the impact of plastics on the environment.

# Income tax

6 April 2018 sees increases to the basic and higher rate income tax bands for England, Wales and Northern Ireland. The income tax personal allowance will rise from £11,500 to £11,850. The income tax rates and bands applying from 6 April 2018 are outlined below:

Band (£)	Rate (%)
0 - 34,500	20
34,501 - 150,000	40
Over 150,000	45

## Savings income

Starting rate for savings	0%
Starting rate limit for savings	£5,000

Not available if the taxable non-savings income exceeds the starting rate band. £1,000 of savings income for basic rate taxpayers (£500 for higher rate) may be tax-free.

## Dividend income

Dividend ordinary rate	7.5%
Dividend upper rate	32.5%
Dividend additional rate	38.1%

The first £2,000 of dividends are tax-free.



## All change for Scotland

In the 2018/19 Scottish Draft Budget, Derek Mackay, Finance Secretary for Scotland, announced a series of changes to Scottish income tax, including new income tax rates, taking the possible income tax rates payable up to five. The new Scottish income tax rates and bands for 2018/19, applicable to non-savings and non-dividend income, are summarised below:

Band (£)	Band name	Rate (%)
0 - 2,000	Starter	19
2,001 - 12,150	Basic	20
12,151 - 31,580	Intermediate	21
31,581 - 150,000	Higher	41
Over 150,000	Top	46

From April 2019, the National Assembly for Wales has the right to vary the rates of income tax payable by taxpayers residing in Wales.

## The new stamp duty regime



Wales will introduce its new stamp duty land tax (SDLT) equivalent, the Land Transaction Tax (LTT), from 1 April 2018. The new LTT preserves the underlying structure of SDLT, but also includes some key differences, such as the application of higher rates of duty for some residential properties with a higher value. The LTT rates applying from 1 April 2018 are:

Residential £	Rate %	Non-residential £	Rate %
Up to 180,000	0	Up to 150,000	0
180,001 - 250,000	3.5	150,001 - 250,000	1
250,001 - 400,000	5	250,001 - 1,000,000	5
400,001 - 750,000	7.5	Over 1,000,000	6
750,001 - 1,500,000	10		
Over 1,500,000	12		

Residential rates may be increased by 3% where further residential properties are acquired.

Scotland already has its own SDLT equivalent, the Land and Buildings Transaction Tax (LBTT). In the Scottish Draft Budget, the Scottish Finance Secretary, Derek Mackay, confirmed that the LBTT rates will remain the same for the 2018/19 tax year. However, the Scottish government is planning to introduce a new relief for first-time buyers of properties up to £175,000.

In the 2017 Autumn Budget, Chancellor Philip Hammond unveiled a new exemption from stamp duty land tax (SDLT) for first-time homebuyers in England, Wales (until 1 April 2018) and Northern Ireland. From 22 November 2017, most first-time buyers paying £300,000 or less for a residential property are no longer required to pay SDLT. Wales has no plans to introduce a relief from LTT for first-time buyers.

## Making Tax Digital (MTD)

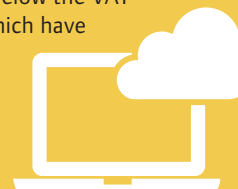
HMRC has now published the Value Added Tax (Amendment) Regulations 2018, setting out the requirements for MTD for VAT.

HMRC is phasing in its landmark MTD regime, which will ultimately require taxpayers to move to a fully digital tax system. This will begin with businesses with a turnover above the VAT threshold.

Under the new rules, from 1 April 2019 businesses with a turnover above the VAT threshold (currently £85,000) must keep digital records for VAT purposes and provide their VAT return information to HMRC using MTD functional compatible software.

HMRC is piloting MTD for VAT during 2018, ahead of its introduction in April 2019.

Keeping digital records and making quarterly updates will not be mandatory for taxes other than VAT before April 2020, although businesses below the VAT threshold which have voluntarily registered for VAT can opt to join the scheme.





## Other key changes for 2018/19

A number of other key changes are coming into effect during 2018, which may have an impact on your business and personal finances.

### Dividend Allowance set to reduce

The Dividend Allowance is set to be reduced from £5,000 to £2,000 from 6 April 2018, just two years after it was first introduced. The stated aim of the move is to 'address the unfairness' around the director-shareholders' tax advantage, as well as what the Chancellor described as the 'extremely generous tax break for investors with substantial share portfolios'.

### Changes to car fuel benefit rates

From April 2018 the benefit-in-kind rates for cars will increase significantly, with further rises planned in 2019 and 2020. The increases are likely to result in cost rises for employers providing company cars to their employees.

In addition, from 6 April 2018, the taxable diesel car benefit for diesel cars will rise from 3% to 4%, although the maximum fuel rate remains at 37% (unless the car is registered on or after 1 September 2017 and meets the Euro 6d emissions standard).

### Compulsory employer pension contributions to rise

The pensions auto-enrolment legislation currently requires employers to contribute at least 1% on the qualifying pensionable earnings for eligible jobholders. From 6 April 2018 this will rise to 2%, with a further rise to 3% planned in April 2019.

### Residence Nil-Rate Band rises

The inheritance tax Residence Nil-Rate Band (RNRB), introduced in April 2017, will rise from £100,000 in 2017/18 to £125,000 for the 2018/19 tax year. The RNRB is designed to enable a 'family home' to be passed wholly or partially tax-free on death to direct descendants such as children or grandchildren. It will continue to increase in increments to reach £175,000 in 2020/21.

### The new General Data Protection Regulation

The new General Data Protection Regulation (GDPR) is set to come into effect on 25 May 2018, and will require all organisations that deal with individuals living in an EU member state to protect the personal information belonging to those individuals, and have verified proof of such protection. With financial penalties for non-compliance of up to €20 million or 4% of total annual worldwide revenue, businesses are being urged to make sure they are prepared for the regulations.

## The new Budget timetable: an overview

Chancellor Philip Hammond has implemented some fundamental changes to the UK fiscal timetable.

In the 2016 Autumn Statement, the Chancellor announced that he would be introducing a new Budget timetable, which would see the main annual Budget moving from its traditional Spring setting to the Autumn, and the Autumn Statement being replaced by a Spring Statement. The first Autumn Budget was presented in November 2017.

### The new process

While the general process of developing tax policy will remain the same, the timescales for policy making and consultation have changed significantly. The government hopes that the new system will allow more time to scrutinise and consult on draft tax legislation before it is introduced.

The new timing of the Autumn Budget will allow the announcement of most new measures well in advance of the tax year in which they are due to take effect. The Spring Statement also offers the opportunity for the government to consult during the early stages of policy making, and publish calls for evidence on long-term tax policy issues.

Under the new system, measures announced in the Autumn Budget will generally be consulted on during the Winter and Spring, with draft legislation being published in the Summer, ahead of the introduction of the Finance Bill in the Winter. This will then receive Royal Assent the following Spring.



## What they said...

'I am pleased to report to the House on a UK economy that has grown in every year since 2010.'

**Chancellor Philip Hammond**

'Today we have the indefensible spectacle of a Chancellor congratulating himself on marginally improved economic forecasts, while refusing to lift a finger as councils go bust and the NHS and social care are in crisis.'

**John McDonnell, Shadow Chancellor**

'Businesses will be encouraged by the Chancellor's report on the UK's fiscal health . . . yet as deficit and debt levels improve, the Chancellor must resist calls to pour money into politically-attractive, short-term spending priorities.'

**Dr Adam Marshall, Director General of the British Chambers of Commerce**