



GoldstoneTM
Wealth
Management

GUIDE TO
**SPRING
BUDGET 2017**

WHAT IT REALLY MEANS FOR YOU,
YOUR FAMILY AND BUSINESS

BUDGET 2017



Callum Yorke DipFA Independent Financial Advisor

17 Morton Drive, Dalrymple, Ayrshire, KA6 6QA

Office: 01292 560098 **Mobile:** 07773139418 **Email:** callum.yorke@goldstonewealth.co.uk

Goldstone Wealth Management Limited is authorised and regulated by the Financial Conduct Authority. Our FCA Register number is 670062.

As the UK begins the formal process of exiting the European Union, this Spring Budget was relatively low-key with many changes having already been announced.



Welcome

Spring Budget 2017

The Chancellor of the Exchequer, Philip Hammond, delivered his Spring Budget to Parliament on 8 March 2017. In our guide, we consider the key measures and outcomes and look at the impact on you, your family and your business.

This Budget was the last one to take place in the spring. The Chancellor said last year that he wanted to simplify the whole business of setting taxes and government spending, which had become too complicated.

So, Spring Budgets will again become autumn ones (the first will be later this year), while the other big set piece event, the Autumn Statement, will become a spring one (the first will be in 2018).

As the UK begins the formal process of exiting the European Union, this Spring Budget was relatively low-key, with many changes having already been announced.

Opening his statement, Mr Hammond said the UK economy 'continued to confound the commentators with robust growth', and promised his Budget would provide a 'strong and stable platform' for the Brexit negotiations to come.

The Chancellor made provision for £2 billion for social care services in England, as well as offering additional help for firms impacted by business rate rises.

Mr Hammond also announced a reduction in the total amount of dividends company directors and

shareholders can receive from businesses without having to pay taxes, from £5,000 to £2,000. He said the move was meant to 'address the unfairness' around the dividend tax advantage, which he claimed was 'an extremely generous tax break for investors with substantial share portfolios'.

As predicted, there were improved economic forecasts via the Office for Budget Responsibility (OBR). On the economy, Mr Hammond said growth was expected to be higher – and borrowing lower – than forecast in November. ◀

WANT TO DISCUSS THE IMPACT OF SPRING BUDGET 2017 ON YOUR PERSONAL OR BUSINESS SITUATION?

The Chancellor resisted making far-reaching tax changes in this last Spring Budget, but some of the announcements could have an impact on your personal or business situation. If you would like to discuss your situation, or if you have any further questions, please contact us.



Contents

- 02 WELCOME**
Spring Budget 2017
- 04 SPRING BUDGET 2017**
What the Chancellor had to say
- 07 SPRING BUDGET 2017**
Business matters
- 08 SPRING BUDGET 2017**
Key announcements at a glance
- 09 QUALIFYING RECOGNISED OVERSEAS PENSION SCHEMES**
Tax rate charge of 25% on transfers on or after 9 March 2017
- 10 HISTORIC BUDGET ANNOUNCEMENTS**
What could the impact be on your personal or business finances?
- 11 INCOME TAX DIVIDEND ALLOWANCE REDUCTION**
Reducing the tax differential between the self-employed and employed

Spring Budget 2017

What the Chancellor had to say

THE ECONOMIC FORECAST

Growth in the UK economy picked up through 2016. Employment reached a record high of 31.8 million people.

The Office for Budget Responsibility (OBR) now forecasts that the UK economy will grow by 2% in 2017. The OBR also forecast that the economy will grow at a slightly slower rate in 2018, before picking up to 2% in 2021.

CUTTING BORROWING AND STABILISING THE PUBLIC FINANCES

Britain has a debt of nearly £1.7 trillion – around £62,000 for every household in the country. In 2009/10, the UK borrowed £1 in every £5 that was spent. This year, it is set to be £1 in every £15. Borrowing is forecast to be reduced by nearly three quarters by 2016/17.

£2 BILLION FOR ADULT SOCIAL CARE OVER THE NEXT THREE YEARS

This amount is to help councils provide high-quality social care to more people and help to ease pressure on the NHS.

A THREE-YEAR NS&I INVESTMENT BOND WITH A MARKET-LEADING INTEREST RATE OF 2.2%

The bond will be available for 12 months from April 2017. The Government announced the NS&I Investment Bond at Autumn Statement 2016. It will be open to everyone aged 16 and over with

the flexibility to save between £100 and £3,000 over three years.

THE LIFETIME INDIVIDUAL SAVINGS ACCOUNT WILL BE AVAILABLE FROM 6 APRIL THIS YEAR

The Lifetime Individual Savings Account will allow younger adults to save up to £4,000 each year and receive a bonus of up to £1,000 a year on these contributions. Funds can be withdrawn tax-efficiently to put towards a first home or saved until a person turns 60.

£435 MILLION TO SUPPORT BUSINESSES AFFECTED BY THE BUSINESS RATES RELIEF REVALUATION

No small business coming out of small business rates relief will pay more than £600 more in business rates this year than they did in 2016/17.

Funding for local authorities will allow them to provide £300 million of discretionary relief to provide help to businesses most affected by the revaluation.

From April 2017, pubs with a rateable value up to £100,000 will be able to claim a £1,000 business rates discount for one year.

TAX-FREE DIVIDEND ALLOWANCE WILL BE REDUCED FROM £5,000 TO £2,000 FROM APRIL 2018

This will reduce the tax difference between the self-employed and those

working through a company. Typically, general investors will need over £50,000 worth of stocks and shares outside an Individual Savings Account (ISA) to be affected.

£425 MILLION INVESTMENT IN THE NHS IN THE NEXT THREE YEARS

£325 million will be invested in a first set of the best local Sustainability and Transformation Plans (STPs). STPs are the NHS's plans for improving patient services in local regions, developed collaboratively by NHS service leaders and their local partners.

£100 million will go to A&E departments in 2017/18 to help them manage demand ahead of next winter and help patients get to primary care faster. For example, it will provide more on-site GP facilities and more space in A&E units for assessment of patients when they arrive.

INVESTMENT IN TECHNICAL EDUCATION FOR 16 TO 19-YEAR-OLDS RISING TO OVER £500 MILLION

New T-levels for 16 to 19-year-old technical students will be introduced from autumn 2019. Students will be able to choose from 15 different routes, such as construction, digital or agriculture. The number of hours of training for these students will increase by over 50%.

As part of the course, all students will take part in an industry work

No small business coming out of small business rates relief will pay more than £600 more in business rates this year than they did in 2016/17.

placement. The Government will also provide maintenance loans for students doing higher-level technical courses at National Colleges and Institutes of Technology – like those available to university students.

£300 MILLION INVESTMENT FOR NEW ACADEMIC RESEARCH PLACEMENTS

£90 million will provide 1,000 new PhD places, including in science, technology, engineering and maths. £210 million will create new fellowships, including programmes to attract top global talent to conduct research in areas such as bioscience and biotechnology, quantum technologies, and satellite and space technology.

LOANS FOR PART-TIME AND DOCTORAL STUDENTS FROM 2018

The Government will provide maintenance loans for people entering part-time degrees, and doctoral loans of up to £25,000 to support higher-level study.

£536 MILLION FOR NEW FREE SCHOOLS AND TO MAINTAIN EXISTING SCHOOLS

£320 million will go to new free schools. Free schools are funded by the

Government but set up by groups such as parents, charities, or community and faith groups.

£216 million will be invested in school maintenance.

FREE TRANSPORT FOR CHILDREN FROM POORER FAMILIES WHO GO TO SELECTIVE SCHOOLS

Children aged 11 to 16 who receive free school meals or whose parents are on the Maximum Working Tax Credit will get free transport to their closest selective school, if it is between two and fifteen miles away from their home.

Children aged 8 to 16 are already entitled to free transport to their closest suitable school if they live more than three miles away.

TAX-FREE CHILDCARE WILL SOON BE AVAILABLE TO WORKING PARENTS

Tax-Free Childcare will provide up to £2,000 a year in childcare support for each child under 12. Parents will be able to receive up to £4,000 for disabled children up to the age of 17.

Parents of younger children will be able to apply for the scheme first, with all eligible parents able to access the scheme by the end of the year.

Working parents in England will also be able to apply for an additional 15 hours of free childcare for three and four-year-olds, bringing the total to 30 hours a week.

NEW WAYS TO PROTECT CONSUMERS

The Government will investigate ways to protect consumers from unnecessary costs and inefficiencies, including:

- Preventing consumers being charged unexpectedly when a subscription is renewed or a free trial ends
- Making terms and conditions simpler and clearer, including in digital contracts, such as when you sign up to a social network
- Fining companies that mislead or mistreat consumers

£270 MILLION TO LAUNCH THE INDUSTRIAL STRATEGY CHALLENGE FUND

Initial funding will support research and innovation in universities and businesses, in areas such as:

- Developing artificial intelligence and robotics that will work in extreme environments, like offshore energy, nuclear energy and space



- Designing and manufacturing better batteries for new electric vehicles that will help improve our air quality
- Improving medicine manufacturing technologies to speed up patient access to drugs

IMPROVING TRANSPORT WITH THE NATIONAL PRODUCTIVITY INVESTMENT FUND (NPIF)

The Government is funding improvements to transport infrastructure, including:

- £690 million for new local transport projects, to improve congestion on roads and public transport
- £220 million to improve congestion points on national roads, with £90 million going to the North and £23 million to the Midlands
- Supporting local projects in the next twelve months, such as improvements on the A483 corridor in Cheshire and on the Leicester Outer Ring Road

A NEW STRATEGY TO MAKE THE UK A WORLD LEADER IN 5G TECHNOLOGY

£16 million for a national 5G Innovation Network to trial new 5G technology, and £200 million for local projects to build fast and reliable full-fibre broadband networks.

MARKING INTERNATIONAL WOMEN'S DAY

A new £5 million fund will go to projects celebrating the 100th anniversary of the Representation of the People Act next year, and to educate young people about its significance. The Representation of the People Act (1918) was the first legislative step towards equal voting rights for men and women.

Working with businesses and the public sector, the Government will also invest £5 million to increase the number of returnships, helping people back into employment after a career break.

Another £20 million will support organisations working to combat domestic violence and abuse or supporting victims. This increases the total funding for implementing the Government's Ending Violence Against Women and Girls Strategy to £100 million by the end of Parliament.

SMALL BUSINESSES AND LANDLORDS UNDER THE VAT THRESHOLD WILL HAVE AN EXTRA YEAR TO PREPARE FOR MAKING TAX DIGITAL (MTD)

Unincorporated businesses (businesses owned privately by one or more people) that have an annual turnover below the VAT registration threshold will have until April 2019 to prepare before MTD becomes mandatory.

Under MTD, businesses will use digital software to keep tax records and update HM Revenue & Customs quarterly. ◀

Britain has a debt of nearly £1.7 trillion – around £62,000 for every household in the country. In 2009/10, the UK borrowed £1 in every £5 that was spent.



Spring Budget 2017

Business matters

Summary of how the Spring Budget 2017 announcements could impact on businesses:

- Three measures for England: rate rises for businesses losing existing relief will be capped at £50 a month, pubs to receive a £1,000 discount on business rates of less than £100,000 rateable value (90% of pubs), and a £300m fund for discretionary relief for local authorities
- Government remains committed to its policy of competitive Corporation Tax rates, which will reduce to 17% by 1 April 2020
- VAT annual registration threshold to increase from £83,000 to £85,000 with effect from 1 April 2017. The de-registration threshold is similarly increased from £81,000 to £83,000
- One-year deferral from the mandating of Making Tax Digital for unincorporated businesses and landlords with turnovers below the VAT threshold
- Tax avoidance clampdown totalling £820m to include action to stop businesses converting capital losses into trading losses
- Further rules introduced on interest deductibility will apply to the largest companies from April 2017. Groups will need to apply a restriction to interest of 30% of a group's UK EBITDA or, if more favourable, the ratio of interest to EBITDA of the wider group could be applied
- Reform of loss relief – the use of brought-forward losses will become more flexible, although restrictions will apply once losses of £5m have been utilised
- Substantial Shareholdings Exemption rules mean more UK companies, including some institutional investors, will be able to dispose of trading subsidiaries without attracting a tax charge
- Introduction of VAT on roaming telecoms services used and enjoyed outside the EU, raising £65 million in a full year. This will create an extra VAT cost in relation to mobile telephone use – including data – where the device is being used outside of the EU. Under current VAT rules, such charges to individuals do not incur UK VAT. Going forward, 20% VAT will apply. This will increase the cost for UK consumers using mobile devices outside of the EU
- The Government will consult on whether offshore companies with UK source income and gains will be brought within the charge to Corporation Tax
- Review of taxation of North Sea oil producers
- New financial penalty for professionals who create schemes defeated by HM Revenue & Customs
- Businesses to be stopped from converting capital losses into trading losses

Spring Budget 2017

Key announcements at a glance

ECONOMY

- UK second-fastest growing economy in the G7 in 2016
- Growth forecast for 2017 upgraded from 1.4% to 2%
- GDP downgraded to 1.6%, 1.7% and 1.9% in subsequent years, then 2% in 2021/22
- Annual rate of inflation forecast to rise from 2.3% to 2.4% in 2017/18 before falling to 2.3% and 2.0% in subsequent years
- A further 650,000 people expected to be in employment by 2021

PUBLIC BORROWING/ DEFICIT/SPENDING

- Annual borrowing £51.7bn in 2016/17, £16.4bn lower than forecast
- Borrowing forecast to total £58.3bn in 2017/18, £40.6bn in 2018/19, £21.4bn in 2019/20 and £20.6bn in 2020/21
- Public sector net borrowing forecast to fall from 3.8% of GDP last year to 2.6% this year, then 2.9%, 1.9%, 1% and 0.9% in subsequent years, reaching 0.7% in 2021/22. Borrowing still predicted to be £100bn higher by 2020 than forecast in March 2016
- Debt rose to 86.6% this year, but will fall to 79.8% in 2021/22

HEALTH AND SOCIAL CARE

- £100m to place more GPs in accident and emergency departments for next winter

PENSIONS AND SAVINGS

- Reduction in tax-free dividend allowance for shareholders and directors of small private firms from £5,000 to £2,000. Measure to come into force from April 2018, raising £2.63bn by 2021/22
- Qualifying Recognised Overseas Pension Scheme (QROPS) transfers subject to a 25% tax charge unless they are made within the European Economic Area or the QROPS is provided by the individual's employer
- Confirmed that individuals who have flexibly accessed their pension scheme will have a reduced Money Purchase Annual Allowance of £4,000 from 6 April 2017 (previously set at £10,000)



PERSONAL TAXATION

- Class 2 National Insurance, a separate flat-rate contribution paid by self-employed workers making a profit of more than £5,965 a year, is to end in April 2018
- No changes to National Insurance paid by the employed and employers or to Income Tax or VAT
- Personal tax-efficient allowance to rise as planned to £11,500 from 6 April 2017 and to £12,500 by 2020
- UK resident non-UK domiciled individuals (non-doms) – proposed changes to the taxation of non-doms will take place as planned with effect from 6 April 2017

- Additional £325m to allow the first NHS Sustainability and Transformation Plans to proceed
- An extra £2bn for social care over next three years, with £1bn available in the next year

- Long-term funding options to be considered but so-called 'death tax' on estates ruled out
- Most sugary soft drinks to be taxed at 24p per litre as part of plans to reduce childhood obesity

HOUSING/ INFRASTRUCTURE/ TRANSPORT/REGIONS/SCIENCE

- Transport spending of £90m for the north of England and £23m for the Midlands to address pinch points on road
- £690 million competition fund for English councils to tackle urban congestion
- £270m for new technologies such as robots and driverless vehicles

- £16m for 5G mobile technology and £200m for local broadband networks
- £250m in funding for Scottish Government, £200m for Welsh Government and £120m for Northern Ireland Executive

EDUCATION (ENGLAND ONLY)

- £300m to support 1,000 new PhD places and fellowships in STEM (science, technology, engineering and maths) subjects
- Free school transport extended to all children on free school meals who attend a selective school
- Upgrade fund of £216m for existing schools
- Funding for 110 new free schools and grammar schools
- New T-Levels to be introduced to give parity of esteem for technical education
- Number of hours of training for technical students aged 16 to 19 increased by more than 50%, including a high-quality three-month work placement

OTHER ANNOUNCEMENTS

- No increases in alcohol or tobacco duties on top of those previously announced
- A new minimum excise duty on cigarettes based on a packet price of £7.35
- Tobacco rises by 2% above Retail Price Index (RPI) inflation, with a packet of 20 cigarettes costing 35p more
- Duty on beer, cider, wine and spirits will increase in line with RPI inflation
- Duty rises equate to 2p on a pint of beer, 1p on a pint of cider, 36p on a bottle of whisky and 32p on a bottle of gin
- Vehicle excise duty rates for hauliers and the HGV Road User Levy frozen for another year



Qualifying Recognised Overseas Pension Schemes

Tax rate charge of 25% on transfers on or after 9 March 2017

Qualifying Recognised Overseas Pension Schemes (QROPS) transferred on or after 9 March 2017 will be subject to tax charge at a rate of 25% on the transfer. A QROPS is an overseas pension scheme that meets certain requirements set by HM Revenue & Customs and must have a beneficial owner and trustees, and it can receive transfers of UK Pension Benefits.

MOVING PENSION WEALTH TO ANOTHER JURISDICTION

The charge is aimed at those seeking to reduce the tax payable by moving their pension wealth to another jurisdiction – that is unless both the individual and the pension savings are in the same country, both are within the EEA, or the QROPS is provided by the individual's employer. The tax charge will apply if, within five years, the transfer no longer qualifies. When the tax charge is made, it will be deducted before the transfer by the scheme administrator or

scheme manager of the pension scheme making the transfer.

GENUINE NEED TO TRANSFER PENSIONS EXEMPT

Exceptions will apply to the charge, allowing transfers to be made tax-free where people have a genuine need to transfer their pension, including when the individual and the pension are both located within the European Economic Area or the QROPS is provided by the individual's employer.

PROMOTING FAIRNESS IN THE TAX SYSTEM

The Government said this charge supports its objective of promoting fairness in the tax system and it continues to allow overseas transfers from pension schemes that have had UK tax relief that are made when people leave the UK and take their pension savings with them. The Government expects to raise £315m through the regime by 2021/22. ◀

Historic Budget announcements

What could the impact be on your personal or business finances?

Following any Budget or Autumn Statement, it can be easy to forget announcements that don't come into force until a future date. We've provided a list of highlights from historic Budget or Autumn Statement announcements that will either commence from this April or in subsequent months that could impact on your personal or business finances.

The amount you can earn before paying Income Tax – the personal allowance – is currently at £11,000 and will increase to £11,500 in 2017/18. The Government has promised this will rise to £12,500 by 2020/21. The threshold for higher rate will go up from £43,000 to £45,000, except in Scotland (owing to devolved powers) where it will be £43,000.

Many working-age benefits remaining unchanged for a second year, as part of a four-year freeze. These include Jobseeker's Allowance, Employment and Support Allowance, some types of Housing Benefit, and Child Benefit. However, State Pensions, Maternity Pay and disability benefits are excluded.

The amount that can be saved in a tax-efficient Individual Savings Account (ISA) is rising from £15,240 a year to £20,000 in 2017/18.

The launch of a new Lifetime Individual Savings Account (LISA) in 2017/18 for those aged between 18 and 40. They can save up to £4,000 a year, and the Government will add a 25% bonus if the money is used to buy a home or as a pension from the age of 60.

The start of a gradual process in 2017/18 allowing people to pass on property to their descendants free from some Inheritance Tax.

Any family which has a third or subsequent child born after April will not qualify for Child Tax Credit, which can be more than £2,000 per

child. This will also apply to families claiming Universal Credit for the first time after April.

The family element of child tax credits, worth £545 per year, will be abolished. So families in which the eldest child is born on or after 6 April will not receive this payment.

Some buy-to-let landlords will see the amount of tax relief that they can claim on mortgage interest payments cut over the course of four years from April. They will only be able to claim at the lower rate of tax, not the higher.

The National Living Wage will rise from £7.20 to £7.50 in April for those aged 25 and over. Public sector pay has already been set at a 1% annual rise each year until 2019/20.

Salary sacrifice restricted for items such as computers, gym membership and health screening in 2017/18.

New Vehicle Excise Duty (VED) bands are to be introduced for cars registered from April – zero, standard and premium.

In May this year, probate fees will change, costing significantly more for large estates. ◀

Income Tax dividend allowance reduction

Reducing the tax differential between the self-employed and employed

Chancellor Philip Hammond revealed the tax-free dividend allowance will be reduced from £5,000 to £2,000 from April 2018. The Treasury Budget document stated that this was intended to 'reduce the tax differential between the self-employed and employed, and those working through a company, to raise revenue to invest in public services, and to ensure that support for investors is more effectively targeted.'

REDUCING THE ATTRACTIVENESS OF TAKING DIVIDENDS

Many people have opted to work through a personal company, taking remuneration as a mix of dividends and salary, and this change will reduce the attractiveness of taking dividends from a company. According to the Budget statement, about half of those affected will be those using personal companies in this way.

REFORMED DIVIDEND TAXATION FROM APRIL 2016

Under existing rules, which were announced in the Summer Budget 2015, the Government reformed dividend taxation from April 2016 by replacing the dividend tax credit with a £5,000 dividend allowance, and increasing the rates of tax paid by 7.5 percentage points in each band, to 7.5% for basic rate, 32.5% for higher rate and 38.1% for additional rate.

SUPPORT FOR INVESTORS MORE EFFECTIVELY TARGETED

This reduction is forecast to raise the Treasury £930m in 2021/22. The Treasury Budget document stated: 'The policy objective of this new measure is to ensure that support for investors is more effectively targeted



Chancellor
Philip Hammond

and that the total amount of income they can receive tax-free is fairer and more affordable, in light of increases to the tax-efficient personal allowance and the Individual Savings Accounts (ISA) allowance.'

IMPACT ON INDIVIDUALS, HOUSEHOLDS AND FAMILIES

Individuals and households who receive dividend income in excess of £2,000 will be affected. Around two thirds of all those with dividend income will be unaffected by this measure. It is estimated that this will have an impact on around

2.27 million individuals in 2018 to 2019, with an average loss of around £315.

EXTREMELY GENEROUS TAX BREAK FOR INVESTORS

Mr Hammond said that the cut to £2,000 was meant to 'address the unfairness' around the dividend allowance, which he described as 'an extremely generous tax break for investors with substantial share portfolios'. He said about half the people affected by this measure were directors and shareholders of private companies. ◀

Keep your financial plans on track after Spring Budget 2017

Chancellor of the Exchequer, Philip Hammond, delivered a low-key Spring Budget 2017, combining increases on the self-employed and dividends with new spending on social care and financial help for small businesses.

To review what action you may need to take to keep your plans on track, please contact us.

The content of this Spring Budget 2017 summary was produced on 8 March 2017 and is for your general information and use only and is not intended to address your particular requirements. The content should not be relied upon in its entirety and shall not be deemed to be, or constitute, advice. Although endeavours have been made to provide accurate and timely information, there can be no guarantee that such information is accurate as of the date it is received or that it will continue to be accurate in the future. No individual or company should act upon such information without receiving appropriate professional advice after a thorough examination of their particular situation. We cannot accept responsibility for any loss as a result of acts or omissions taken in respect of the content. Thresholds, percentage rates and tax legislation may change in subsequent Finance Acts. Levels and bases of, and reliefs from, taxation are subject to change and their value depends on an individual's personal circumstances.



Published by Goldmine Media Limited, Basepoint Innovation Centre, 110 Butterfield, Great Marlings, Luton, Bedfordshire LU2 8DL

Content copyright protected by Goldmine Media Limited 2017. Unauthorised duplication or distribution is strictly forbidden.