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GTN Newsletter – March 2017

UK Spring Budget 2017

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Introduction to the UK Spring Budget 2017

The UK Chancellor's Budget released on 8 March 2017 was the first of two due in 2017. The final UK Spring Budget came little more than three months after an Autumn Statement that suggested government finances had taken a post-referendum turn for the worse. However, the latest short-term economic numbers turned out much better than the Office for Budgetary Responsibility's (OBR's) November projections.

While this good news gave the UK Chancellor some flexibility, he chose to offset some modest increases in spending – mostly focused on social care – with tax increases mainly aimed at the self-employed. The volume of Budget documents issued by the Treasury shrank significantly, but there were still some surprises to be found in the detail.

One example was the move to levy a 25% tax charge from 9 March 2017 on most transfers to qualifying recognized overseas pension schemes (QROPS), even though the Autumn Statement had announced a tightening of the QROPS rules.

The cut in the dividend allowance beginning with the 2018/19 tax year was also unexpected. The cut was targeted to increase taxes for one-person companies, but it will also increase taxes for personal investors with equity-based portfolios worth more than £60,000 (based on current UK dividend yields). Ironically, one effect will be to increase the appeal of ISAs, which benefit from a large contribution limit rise next month.

The UK Chancellor resisted making any announcements about future increases to the personal allowance or higher rate threshold, presumably saving some good news for his autumn set piece.

“A strong economy needs a fair, stable and competitive tax system, creating the growth that will underpin our future prosperity.” **Philip Hammond, UK Chancellor**

UK Spring Budget 2017 Highlights

- A reduction in the dividend allowance from the current £5,000 to £2,000 from 2018/19.
- A one-year deferral in the start date for Making Tax Digital (MTD) for unincorporated businesses and landlords whose turnover is below the VAT threshold (£85,000 from 1 April 2017).
- An increase in the personal allowance for 2017/18 to £11,500 and a corresponding rise in the higher rate threshold to £45,000, although in Scotland the latter figure will only apply to savings and dividend income.
- A new 25% tax charge on transfers to qualifying recognized overseas pension schemes (QROPS), other than for those who have 'a genuine need' to transfer.
- Three measures to help small businesses cope with the changes to business rates, due to take effect in April 2017, starting with a new £50 a month cap (in 2017/18 only) for businesses that lose Small Business Rate Relief.
- The publication later in the year of a green paper examining the funding of social care, although the Chancellor ruled out the rumored 'death tax'. In the interim an additional £1bn is to be made available for social care funding in 2017/18.

[Click here](#) to read out full commentary on the UK Spring Budget.

For further information on this newsletter or the UK Spring Budget, please contact Richard Watts-Joyce at +44(0)20 7100 2126 or rwattsjoyce@globaltaxnetwork.co.uk.

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