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# Spring Budget 2017

Chancellor of the Exchequer Philip Hammond has delivered his first, and the last, Spring Budget. In a departure from the style of his predecessor, there were very few big policy announcements, as the Chancellor focused his speech on outlining the state of the economy and the government's proposals for changes to taxation.

It was a very quiet Budget for employee benefits, with few new announcements.

Most of what was covered amounted merely to reminders of what has previously been declared. This briefing is divided into summaries of what's new, reminders of previous announcements, and what we are still awaiting confirmation on.



## New Announcements

The only new employee benefit measures relate to pensions and concern the transfer of pension savings abroad and how master trusts are to be tax-registered.

### Overseas Pension Transfers Tax

From 9 March 2017, members of UK registered pension schemes who request a transfer to a qualifying recognised overseas pension scheme (QROPS) will be subject to a tax charge of 25% unless, from the point of transfer, both the member and their pension savings are in the same country, both are within the European Economic Area (EEA) (the EU member states, plus Norway, Iceland or Liechtenstein), or the QROPS is provided by the member's employer.

Such a move is not totally unexpected, and comes less than four months after the wide ranging changes to QROPS were announced at last year's Autumn Statement.

Many QROPS transfers will continue to be exempt from the charge though, for example, where a member transfers their pension savings to elsewhere in the EEA and remains resident in the UK.

Existing QROPS will need to tell HMRC that they'll operate the overseas transfer charge by 13 April 2017, by completing form APSS240. Failure to do so means the scheme will cease to be a QROPS.

### Master Trust Registrations

The government will amend the tax registration process for master trust pension schemes to align with the Pensions Regulator's new authorisation and supervision regime, provided for in the current Pension Schemes

Bill. This is likely to mean that master trusts will need Regulator authorisation to be able to achieve registered pension scheme status. This will help to boost consumer protection and improve compliance. Further details from the Regulator and HMRC are awaited, including when this change will come into force.

## What We Already Knew

This was a Budget where there was little new of note, and most of what was covered related to measures previously announced.

### The Money Purchase Annual Allowance

HMRC has published confirmation of the reduction in the money purchase annual allowance (MPAA) to £4,000, announced in last year's Autumn Statement, from 6 April 2017. The MPAA is currently £10,000 and applies to individuals who have flexibly accessed their money purchase pension savings. It is designed to counter members using the pension flexibilities to avoid tax on their current earnings, by diverting their salary into their pension scheme, gaining tax relief, and then effectively withdrawing 25% tax-free. It also restricts the extent to which individuals can gain a second round of tax relief by withdrawing savings and reinvesting them into their pension.

### Taxation of Benefits in Kind

As previously announced, the government will publish a call for evidence on exemptions and valuation methodology for the income tax and employer National Insurance contributions treatment of benefits in kind, in order to better understand whether their use in the tax system can be made fairer and more consistent.

### NS&I Investment Bonds

The Chancellor has confirmed the rate on the NS&I Investment Bond announced at Autumn Statement 2016. The Investment Bond will offer a market-leading rate of 2.2% on deposits over a 3-year term and will be available for 12 months from April 2017. The Bond will be open to everyone aged 16 and over, subject to a minimum investment limit of £100 and a maximum investment limit of £3,000.

### Increasing Insurance Premium Tax

The government will legislate to introduce anti-forestalling provisions, and increase the standard rate of Insurance Premium Tax to 12% from 1 June 2017, as announced at Autumn Statement 2016.

### Lifetime ISA

The Lifetime ISA will be introduced from 6 April 2017, allowing individuals under the age of 40 to save up to £4,000 each, and receive a government bonus of up to £1,000 on their contributions, which can be withdrawn tax free to put towards the purchase of a first home, or from age 60.

## Detail Still Awaited

In a Budget notable for being very light on employee benefits issues, the Treasury was unable for find room to clarify the impact of its changes to salary sacrifice arrangements for group income protection schemes and excepted group life assurance schemes. It seems clear that these arrangements will fall outside the exemptions from the changes, but the precise detail is still awaited. It now seems as though we will have to wait until the Finance Bill 2017 is unveiled on 20 March 2017.

## In Closing

With the main headlines focusing on the increase in National Insurance contributions for the self-employed, many people may well label this as a boring Budget from an employee benefits perspective. However, it is worth remembering the many calls to government in recent years to stop the constant tinkering, particularly with pension scheme taxation. The Chancellor has largely heeded these wishes in this latest Budget. The reduction in the MPAA to £4,000 is not welcome news, but was expected, having been announced in last year's Autumn Statement.

The biggest new measure concerns the tax charge on transferring pension savings overseas. This is the headline in a package of measures to reduce the tax advantages of transferring pension savings overseas, that with the exception of the overseas transfer charge, were unveiled in November 2016. Many overseas transfers are still likely to avoid the charge to begin with, especially if the receiving scheme is based within the EEA, but it will be interesting to see how the policy develops once the UK has left the EU. Freedom of movement requirements within the EU are likely to then fall away, and the government may well impose stricter requirements on such transfers.

This was the last Spring Budget, with the Chancellor announcing last November that the timetable would be moved, with future Budgets occurring towards the end of each year, in place of the Autumn Statement. This means that 2017 will see two scheduled Budget announcements. It may well be that this Spring Budget has been quiet, largely because the Chancellor is holding off announcing more eye catching measures until later this year. The (relative) peace and quiet may not last long.

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