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Autumn Budget 2017: Change Kept to a Minimum

With the Chancellor resetting the timing of the Budget back to the autumn, 2017 has been a bumper year with two Westminster Budget statements for the UK to contend with. (Going forward, the Budget will be announced in the autumn, with a Spring Statement to follow towards the end of the tax year.)

Thankfully the Chancellor resisted the temptation to raid the employee benefits piggy bank this time around. He didn't give the industry very much, but hasn't taken anything away either – answering the prayers of everyone just hoping for some breathing space from the seemingly relentless pace of legislative change. In fact news that affects our industry was rather thin on the ground.

Access to Finance for Businesses to Grow

The Chancellor has announced an action plan to unlock over £20 billion of capital investment to finance growth in innovative firms. As part of this, the Treasury has confirmed it is looking to give pension funds confidence that they can invest in assets supporting innovative firms as part of a diverse portfolio. The Pensions Regulator is to clarify guidance on investments with long-term investment horizons.

With over £2 trillion in UK pension funds, the Treasury sees small changes in investment as having the potential to transform the supply of capital to innovative firms. While UK pension funds undoubtedly have large assets at their disposal, it isn't clear that defined benefit pension schemes are currently considering such long-term plans in often relatively illiquid investments.

Increased Deferral Periods in Save As You Earn (SAYE) Schemes

Following industry campaigning, the Chancellor has announced that from 6 April 2018, employees on maternity and parental leave will be able to take up to a 12-month pause from saving into their SAYE employee share scheme. This is double the current 6-month period.

No Further Rise in Insurance Premium Tax (IPT)

There will be no further increases to IPT this year, with the rate remaining at 12%. This will provide some comfort to the insurance industry with IPT having been on the Chancellor's radar in recent Budget announcements.

More Detail Needed

The Budget documents are somewhat light on detail in places, and further confirmation of the exact implications of certain announcements is still awaited.

Consultation on Trust Taxation

The government will publish a consultation next year on how to make the taxation of trusts simpler, fairer, and more transparent. Exactly how wide ranging this will be, and the types of trusts to be covered by the consultation, remains to be seen.

Tax Relief on Employer Contributions to Life Assurance and Overseas Pension Schemes

From April 2019, tax relief for employer premiums paid into life assurance products or certain overseas pension schemes will be modernised to cover policies when an employee nominates an individual or registered charity to be their beneficiary.

We wait to see exactly what this modernisation entails, and which types of overseas pension scheme this measure will affect.

Assessment of Back Taxes for Tax Evasion Purposes

In what is likely to be a general taxation measure, the assessment time limits for non-deliberate offshore tax non-compliance will be extended so that HMRC can always assess at least 12 years of back taxes without needing to establish deliberate non-compliance, following a consultation in spring 2018.

The consultation will set out the scope of this policy, but it is possible that qualifying overseas pension schemes may fall within this measure.

What had been Expected

As with every Budget, some of the announcements were actually confirmation of what had been expected.

The Lifetime Allowance Increase

The two main pensions tax allowances - the annual allowance and the lifetime allowance - have both been slashed in value since 2010. Neither was reduced any further in this latest Budget. In fact the expected increase to the lifetime allowance was confirmed. The lifetime allowance will rise in line with the consumer prices index (CPI) to £1,030,000 from April 2018 (an increase of £30,000).

There was no change to the annual allowance, the money purchase annual allowance or the tapered annual allowance announced at this Budget.

Annual Subscription Limits for Individual Savings Accounts (ISAs)

The ISA annual subscription limit for 2018/19 will remain unchanged at £20,000. The annual subscription limit for Junior ISAs and Child Trust Funds for 2018/19 will be uprated in line with CPI to £4,260.

Personal Allowance and the Higher Rate Threshold for Income Tax

The Budget confirmed that in 2018/19 the personal allowance and the higher rate threshold will increase again, to £11,850 and £46,350 respectively.

State Pension Increases

The basic State Pension and the new State Pension will both be increased by the triple lock in 2018/19. The rise in April 2018 will be 3%, a cash increase of £3.65 per week for the full basic State Pension and £4.80 per week for the full new State Pension.

Comment

This was a Budget largely free of nasty surprises. Perhaps mindful of the government's position in Parliament since the summer, this appears to have been very much a safety-first Budget from Philip Hammond, who seems to have carefully avoided anything that might have caused embarrassment to him (following the National Insurance u-turn in the spring) or raised objections from his back benchers.

The pensions industry has been calling for some respite from the constant pace of change in recent years, while the insurance market will no doubt be grateful to not be counting the cost of a further rise in IPT.

Authors
John Dunkley, Senior Technical Consultant
Gary Crockford, Technical Services Manager

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