

Spring Budget 2017 – A Budget for everyone?

In the Chancellor's first Budget since his appointment, and the first of his two Budgets of the year, the Chancellor today delivered a Budget concentrating on stability. There were no major surprises, and there was little news on the tax front. Much of the content related to measures that had already been announced previously.

On International Women's Day, but in the shadow of the imminent Brexit negotiations, the focus of the Budget was on suffrage for everyone, not on suffering, and there was continuous reference to the long-term, aiming to benefit the next generation.

The economy

The focus was on economic stability, with the Chancellor seemingly having an eye on the imminent Brexit negotiations. He introduced his Budget with his upbeat assessment of the economy. The UK has the second fastest growing economy in the G7. The growth forecast for 2017 has been increased from 1.4% to 2%. Inflation is forecast to rise to 2.4%, before falling to 2.3% in 2018, and 2% in subsequent years, staying above or in line with the Bank of England's 2% inflation target for three years. Public borrowing is lower than forecast, and predicted to fall over the coming years.

However, productivity remains "*stubbornly low*", according to the Chancellor, with GDP growth forecast to be down to 1.6%.

Tax

Class 4 National Insurance contributions for self-employed people will increase by 1% to 10% from April 2018, then to 11% in 2019.

The personal allowance will rise from the current £11,000 to £11,500 in April, with the aim of increasing it to £12,500 by the end of this Parliament. In a similar vein, the higher rate income tax threshold will increase from £43,000 to £45,000 in April, with the aim of it reaching £50,000 by the end of this Parliament.

The tax-free threshold of £5,000 per year for dividends, introduced only in April 2016, will be reduced to £2,000 per year from April 2018.

A new National Savings & Investments (NS&I) bond will be introduced from this April, which will pay 2.2% on savings of up to £3,000.

Hopes of a relaxation to the stringent rules regarding the additional rate of Stamp Duty Land Tax (SDLT) were not realised, but the proposal to ensure payment of SDLT is made within 14 days, instead of the current 30 days, have been delayed, until after April 2018.

Rent-a-room relief provides for tax-free income that can be received from renting out a room or rooms in an individual's only or main residential property. There will be a consultation on proposals to rent-a-room relief to ensure it is better targeted to support longer-term lettings.

Jamie Oliver will be pleased, as it was announced that the 'sugar tax' introduced last year is predicted to raise less than forecast. "*Good news for our children*", as the Chancellor himself said.

The offshore element

The government has been focussing significantly in recent years on cracking down on offshore tax evasion, and, as a result, has "*the lowest tax gap in the world*", according to the Chancellor. Nevertheless, further measures have been introduced to tackle non-compliance, including the introduction of a charge of 25% on transfers made to Qualifying Recognised Overseas Pension Schemes (QROPS). This will take effect from midnight tonight (9 March 2017).

Legislation will be introduced in Finance Bill 2017 for a new legal requirement for those who have failed to declare UK tax on offshore interests to correct that situation, with tougher sanctions for those who fail to do so before 1 October 2018.

Also being introduced are penalties for 'enablers' of tax avoidance, i.e. those individuals or entities who enable the use of tax avoidance arrangements which HMRC later defeats. The government has also pledged action to prevent businesses turning capital losses into trading losses.

Inheritance tax and non-doms

Although the Chancellor announced a dramatic funding of £2 billion for social care over the next three years, he pointedly confirmed this would not be funded by an additional 'death tax' levy, as Labour had previously been considering.

There is to be no change to inheritance tax. In particular, the imminent (from April this year) introduction of an extra nil-rate band (allowance) for inheritance tax will go ahead as planned, so that persons who leave their property to 'direct descendants' can, eventually, leave up to £1 million free from inheritance tax. This is despite the fact that it has been criticised for the complexity of its provisions.

Also, the plans to treat people as being domiciled in the UK provided they have spent at least 15 out of the last 20 years here remain unchanged. These rules will come in this April. Additionally, individuals who were born in the UK with a UK domicile of origin, but have acquired a domicile of choice elsewhere, will be deemed UK domiciled for all tax purposes while they are UK resident. Non-doms who set up a non-UK resident trust before becoming deemed domiciled in the UK will not be taxed on any income and gains retained in that trust.

As previously announced at Summer Budget 2015 and following further consultation on draft legislation published in December 2016 on charging Inheritance Tax (IHT) on UK residential property, the limit below which minor interests in UK property are disregarded has been increased from 1% to 5% of an individual's total property interests.

Family

The Chancellor took the opportunity offered by International Women's Day to announce a new fund of £20 million to support the campaign against violence against women and girls, and £5 million to a project to celebrate the centenary of women first getting the vote. The £12 million raised from the 'tampon tax' will go to women's charities. Additionally, there will be £5 million of funding to support people returning to work after a career break, which the PM has said will mainly affect women.

Working parents with three and four-year-olds will see their free childcare entitlement doubled to 30 hours per week.

Other

Other beneficiaries of the Budget were science funding, and funding for the North and the Midlands specifically aimed at transport 'pinch-points'. Significant funding will also be made available to local authorities to tackle urban congestion. Funds will also be made available to establish more schools, and new qualifications, to be known as 'T-levels', will be introduced to make schooling more relevant to the world of work.

Summary

It was claimed that the Budget provides a strong stable platform for Brexit negotiations. The focus on stability, and lack of major headlines, may have made this a stable Budget, but it also made for a rather more dull Budget than we have become used to in previous years. Perhaps that is a good thing.

[Christopher Salomons](#)

Associate

+44 (0)20 8394 6237

Christopher.Salomons@russell-cooke.co.uk

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