

# Budget 2017

March 2017



Tax lawyers for your business

## A quiet Budget ... unless you're self-employed

### Tax for companies will change in line with previous announcements

C  
“My ambition is for the UK to be the best place in the world to start and grow a business.

Chancellor's Speech

”

- As expected, corporation tax will drop from 20% to 19% with effect from 1 April 2017. A further reduction in the rate to 17% in 2020 is still expected.
- Some changes are expected to ease the compliance burden on claiming R&D relief.
- Appropriating loss-making capital assets to trading stock so as to convert capital losses into income losses (which can be used more flexibly) will not produce the intended result with effect from Budget Day.
- A range of changes are coming in for large businesses with effect from 1 April 2017, in line with previous announcements. However, the final form of legislation has not yet been published so the exact details remain to be confirmed:
  - Limits to the deductibility of interest expense will apply with effect from 1 April 2017. The net deduction available to a UK company for interest expense above £2 million per annum will be capped at 30% of EBITDA
  - The rules for substantial shareholding exemption for companies disposing of shares in subsidiaries will be relaxed with effect from 1 April 2017. Restrictions in the rules to limit it to companies with substantially trading activities will be relaxed.
  - Losses arising to UK companies after 1 April 2017 will be able to be used more flexibly than at present.
  - UK companies with profits in excess of £5 million per annum will be able to shelter only 50% of the excess with carried forward losses in each year.

“  
In the medium term that we have to find a better way of taxing the digital part of the economy - the part that does not use bricks and mortar.

Chancellor's Speech

”

### Some help on business rates but few other changes for real estate

- The Chancellor has listened to appeals for help on business rates resulting from the current revaluation exercise. 3 measures were announced:
  - Businesses ceasing to be entitled to small business relief will see their rates increases capped at £600
  - Rates payable by pubs with a rateable value of less than £100,000 will be reduced by £1,000
  - A fund of £300 million will be available to help special hardship cases.
- Despite many hopes for change to the stamp duty land tax regime for residential property which has prompted large falls in house-buying activity, no significant change to SDLT was announced. The proposed shortening of

the payment deadline for SDLT to 14 days after the transaction date from 230 days has been postponed until after April 2018.

- The Government has reiterated its intention to consult on bringing non-UK companies with UK source income, including rental income, into the charge to UK corporation tax. It is likely that this would affect many offshore holding structures, designed to avoid UK tax on capital gains.

## The focus has turned to tax on the self-employed

- Rates of income tax remain the same, and the income tax personal allowance and thresholds will increase in line with previous announcements:
  - The personal allowance for 2017/18 will be £11,500 (up from £11,000)
  - The higher rate threshold will be £33,500 (up from £32,000)
- Class 2 NICs (a fixed weekly amount paid by self-employed earners) will be abolished as expected from April 2018. However Class 4 NICs payable on earnings between £8,164 and £45,000 (for 2017/18) will increase to 10% (from 9%) in April 2018, and to 11% in April 2019. This compares with the rate of 12.8% which employed earners pay on their income.
- The amount of dividends which an individual may receive tax-free will be reduced from £5,000 to £2,000 with effect from April 2018. This represents a tax rise, particularly for those who own their own companies, as the dividend allowance of £5,000 was intended to be partial compensation for removal in 2016 of the dividend tax credit and the increase in dividend tax rates.
- Further changes are expected to be introduced in subsequent years to equalise the tax payable by employees and the self-employed.
- Rules will be introduced to ensure that off-payroll working in the public sector is subject to PAYE and NICs where the relationship between worker and client equates to employment where an intermediary is involved. HMRC published an online employment status tool on 2 March. It appears likely that this will be used extensively, in the private sector as well as the public sector, as part of a trend of ensuring that being self-employed is not used as a way of avoiding tax.

“

**People should have choices about how they work, but those choices should not be driven primarily by differences in tax treatment.**

Chancellor's Speech

”



Charles Goddard

**Rosetta Tax Ltd** is a boutique law firm, specialising in providing 'City' quality, cost-effective tax advice to businesses and professional services firms. We are senior, specialised tax lawyers and advisers, with extensive experience of advising on the full range of business taxes.



t: 020 3587 7800  
e: [info@rosettatax.com](mailto:info@rosettatax.com)  
w: [www.rosettatax.com](http://www.rosettatax.com)