

# Autumn Budget 2017

22 November 2017



## A Budget for the millennial generation

Chancellor Philip Hammond set his sights on younger voters in the first Autumn Budget with a stamp duty cut for first-time buyers. There were few other tax giveaways in a speech that trumpeted extra spending for the NHS, teacher training and the nation's infrastructure.

But, as always, the devil is in the detail. A close look at the Budget documents reveals a number of measures that could affect your finances in the coming year.

Even if these don't affect you directly, we would urge you to make sure you make the most of the tax allowances that already exist. Some of the things he didn't change are as important as those he did.

## The big picture

Starting with the bad news, the chancellor said: "Regrettably our productivity performance continues to disappoint."<sup>1</sup>

The OBR (Office for Budget Responsibility) revised down the outlook for productivity growth, business investment and GDP growth.

The OBR now expects the economy to grow by 1.5% this year, 1.4% in 2018, 1.3% in both 2019 and 2020, before picking back up to 1.6% in 2022.

The OBR also expects borrowing as a share of economic output to fall. Inflation is expected to peak at 3% this year before falling back towards the Bank of England's 2% target over the next year.

## The major announcements

Against this darkening backdrop the chancellor was limited in his room for manoeuvre, but he still managed to produce some tax giveaways.

### Stamp duty cut

A stamp duty land tax cut for first-time buyers raised one of the biggest cheers. With effect from today, stamp duty has been abolished altogether for all first-time buyer purchases up to £300,000. Recognising that such sums won't go far in higher-priced areas like London and the South East, first-time buyers will also pay no stamp duty on the first £300,000 of the purchase price of properties priced at up to £500,000.<sup>2</sup>

The chancellor claimed that 95% of first-time buyers will benefit from the stamp duty relief, up to a maximum of £5,000, and 80% of first-time buyers will pay no stamp duty at all.

The relief will not apply to first-time buyer purchases of properties worth over £500,000. Also, if there is more than one purchaser, all of them must be first-time buyers and intend to occupy the property as their only or main residence.

Non-first-time buyers will continue to pay stamp duty on purchases over £125,000.

### Income tax

The chancellor had already said he will raise the tax-free personal allowance to £12,500 and the higher-rate threshold to £50,000 by 2020-21. In the Budget, he announced that the personal allowance – the amount you can earn before paying income tax – will rise from the start of the new tax year from £11,500 to £11,850, in line with inflation. The threshold for the start of the higher-rate, 40% tax band will also rise with inflation from £45,000 currently, up to £46,350.<sup>3</sup>

There was also a tweak to the Marriage Allowance, which allows taxpayers to transfer up to 10% of their unused personal allowance to their spouse (or registered civil partner), helping reduce their tax bill. It will now be possible to make claims in cases where a partner has died before the claim was made. These claims can be backdated by up to four years.<sup>4</sup>

### Pensions

Having urged the government to stop tinkering with pensions we were relieved that the chancellor resisted the temptation to make major changes to the pension system. The annual allowance - the limit on the amount of pension contributions that can be made each year and qualify for tax relief - remained at £40,000.

The lifetime allowance will increase in line with inflation from £1m to £1,030,000 on April 6 next year.<sup>5</sup> This allowance is the maximum amount of pension saving you are allowed to amass over a lifetime without incurring a tax charge.

The basic State Pension will be increased in April 2018 by 3% - a cash increase of £3.65 per week for the full basic State Pension. The full new State Pension, for anyone who reached state pension age after 6 April 2016, will rise by £4.80 per week.<sup>6</sup>

### ISAs

In April 2017 the annual Individual Savings Account (ISA) allowance increased from £15,240 to £20,000 - its highest level ever. The ISA annual subscription limit for 2018-19 will remain frozen at £20,000. However, the annual allowance for Junior ISAs and Child Trust Funds for 2018-19 will be updated in line with CPI to £4,260.<sup>7</sup>

### Capital gains tax

The indexation allowance for companies' capital gains will be abolished to bring the corporate tax system in line with personal capital gains tax.

The indexation allowance takes inflation into account when calculating the chargeable gains of companies.

The allowance will be frozen from 1 January 2018.<sup>8</sup>

### Tax reliefs

The chancellor plans to double the Enterprise Investment Scheme (EIS) investment limit for "knowledge intensive companies" from £1m to £2m.<sup>9</sup> However, Hammond also said he wants to ensure EISs are "not used as a shelter for low-risk capital preservation schemes."<sup>10</sup>

There was also the promise of a consultation in 2018 on how to make the taxation of trusts simpler, fairer and more transparent.<sup>11</sup>

### Fuel duty

The chancellor has decided to freeze the main rate of fuel duty for another year. Drivers of diesel cars that do not meet the latest environmental standards will face higher road tax.<sup>12</sup> For air travellers, Mr Hammond announced another freeze on short-haul Air Passenger Duty rates and long-haul economy rates.<sup>13</sup>

### Alcohol and tobacco

Duty rates on beer, cider, wine and spirits will be frozen. Smokers will be hit with a tobacco tax that will continue to rise at inflation plus 2%, the chancellor said. There will be an additional 1% duty on hand rolling tobacco this year.<sup>14</sup>

### What action to take

With pensions and savings otherwise largely untouched (for now), we see this reprieve as a good opportunity to maximise your various tax allowances while you can. In our low interest-rate environment, making sure that your savings and investments are not needlessly depleted by tax is more important than ever.

Our specialist financial planners can help you to build a tax-efficient financial plan that ensures you are making the most of the reliefs and allowance available to maximise returns on pensions, savings and other investments to secure your financial future. Please call us at your local Brewin Dolphin office and we will be delighted to help you.

1. Autumn Budget 2017: Philip Hammond's speech, 22 November 2017.

2. Autumn Budget 2017, 6.6, 22 November 2017.

3. Autumn Budget 2017, 1.5, 22 November 2017.

4. Autumn Budget 2017, 4.3, 22 November 2017.

5. Autumn Budget 2017, 4.6, 22 November 2017.

6. Autumn Budget 2017, 7.3, 22 November 2017.

7. Autumn Budget 2017, 4.6, 22 November 2017.

8. Autumn Budget 2017, 4.9, 22 November 2017.

9. Autumn Budget 2017, 5.11, 22 November 2017.

10. Autumn Budget 2017: Philip Hammond's speech, 22 November 2017.

11. Autumn Budget 2017, 4.3, 22 November 2017.

12. Autumn Budget 2017, 4.12, 22 November 2017.

13. Autumn Budget 2017, 4.12, 22 November 2017.

14. Autumn Budget 2017, 4.17, 22 November 2017.

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**The value of investments and any income from them can fall and you may get back less than you invested.**

**Any tax advantages mentioned are based on personal circumstances and current legislation which are subject to change.**

**The information contained in this document is believed to be reliable and accurate, but without further investigation cannot be warranted as to accuracy or completeness.**

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