AUTUMN STATEMENT 2016

23 November 2016 | London
Legal Briefings

The Chancellor of the Exchequer, Philip Hammond, today presented the Autumn Statement, setting out the government's tax, spending and borrowing plans for the first time since the EU referendum.

In terms of tax, the announcements were relatively low key, the Chancellor seemingly taking a pragmatic 'watch and wait' approach to the uncertainty presented by Brexit. Although the Statement included no obvious measures specifically responding to Brexit, in the sense that on the whole the Chancellor has not taken the opportunity to announce measures which are obviously aimed at creating a more attractive tax environment in the UK, there are several measures, including confirmation of the reduction in headline tax rates and some relaxation of the circumstances in which non-domiciled individuals can remit income to the UK without triggering UK tax charges, which may offer some insight into the fine balance which the Chancellor is attempting to strike. This balancing act is further illustrated by the government's Statement that it will "continue to consider the balance between revenue and competitiveness with regard to bank taxation, taking into account the implications of the UK leaving the EU", highlighting that although the trend in recent years has been to impose taxation on the banks (including the bank levy and restrictions on their use of losses), this approach may now need to be reconsidered if the financial sector is set to suffer in the wake of Brexit.

The government confirmed its commitment to a number of previously announced measures, including:

- reducing the corporation tax rate to 17% by April 2020;
- implementing new restrictions on the deductibility of corporate interest expense from April 2017; and

- reforming the taxation of non-UK domiciled individuals, also with effect from April 2017.

However, new measures of significant note were thin on the ground, presenting a welcome period of relative calm for businesses and individual taxpayers alike. The most notable new announcements included:

- the government's proposal to consult on bringing all non-resident companies receiving taxable income from the UK into the corporation tax regime;
- an increase in the rate of insurance premium tax;
- the removal of tax benefits from salary sacrifice schemes; and
- the abolition of the tax benefits associated with the Employee Shareholder Status.

We expect to receive further detail on many of these measures when draft clauses for Finance Bill 2017 are published on 5 December.

Although this was Mr Hammond's first Autumn Statement, it will also be his last. A new Budget timetable will be introduced next year which will mean that following the Spring Budget in 2017, the Budget will in future be delivered in Autumn, with the first Autumn Budget taking place in Autumn 2017. From Spring 2018, the Chancellor will deliver a Spring Statement in response to the Office for Budget Responsibility's Spring forecast, but this is not expected to be a major fiscal event. This welcome new timetable, which, it is hoped, will limit the number of tax changes we can expect to see on an annual basis, will allow the government to consult on tax changes in the Spring and draft legislation in the Summer, before they are introduced as a Finance Bill shortly after the Autumn Budget.

The above measures, along with other key changes, are dealt with in our detailed briefing which can be found here.

A link to the government's Autumn Statement 2016 website and full documentation can be found here.

KEY CONTACTS

If you have any questions, or would like to know how this might affect your business, phone, or email these key contacts.

ISAAC ZAILER
PARTNER, LONDON

+44 20 7466 2464
Isaac.Zailer@hsf.com

WILLIAM ARRENBERG
PARTNER, LONDON

+44 20 7466 2574
William.Arrenberg@hsf.com

HOWARD MURRAY
PARTNER, LONDON

+44 20 7466 2124
Howard.Murray@hsf.com

AURELL TAUSSIG
PARTNER, LONDON

+44 20 7466 2451
aurell.taussig@hsf.com

NEIL WARRINER
CONSULTANT, LONDON
+44 20 7466 2330
Neil.Warriner@hsf.com

LEGAL NOTICE