

# The Intouch Autumn Budget review - 2017



## The Autumn Budget introduction and contents

### Introduction

Thankfully, there was little in this Budget that will have an immediate or dramatic effect on contractors. Whilst there are issues that could have consequences in the future it is clear that the Chancellor has taken a more measured approach. Here you'll find an overview of the main areas that Limited Company contractors should consider.

### Contents

- IR35 Reform of the Private Sector.....1
- Employment status Consultation.....2
- Tackling Disguised Remuneration.....3
- Dividends tax.....4
- Employment allowance.....4
- Benchmark Scale Rates for Subsistence.....5
- Employee expenses and the taxation of benefits in kind.....5
- Insolvency and phoenixism.....6
- Conclusion

## IR35 Reform of the Private Sector

In the weeks leading up to the Budget Speech, many soothsayers predicted that the reform to IR35 in the public sector (introduced in April 17) would be extended and rolled out to the private sector.

Thankfully, the Chancellor took a more practical approach. Although acknowledging that a possible next step would have been to extend the recent reforms immediately, the government recognises the importance of taking account of the needs of businesses and individuals who would implement the change.

The announcement that a detailed consultation will take place, drawing on the experience of the public sector reforms, and external research due to be published in early 2018, was more welcome and suggestive that any reform could be several years off.

### **Contractor tip**

Although nothing has changed, IR35 legislation remains full of grey areas with investigations being time consuming and potentially costly. Our best advice is to consult with your accountant when you start every new contract, to ensure compliance.

## Employment Status Consultation

Earlier this year the Matthew Taylor review of modern working practices was released. As a response the Chancellor announced that government will publish a consultation to consider options for reforms that will make the employment status tests, for both taxation and employment rights, clearer. The announcement in the document released on 22 November suggests that government recognises employment status to be an important but complex issue, and so will work with stakeholders to ensure a full consultation and that any change is carefully considered.

The Chancellor has vowed to look at the results of this consultation, alongside the review of IR35 in the Public Sector before making plans for a roll-out into the Private sector. This consultation could lead to improvements to the manner in which employment status is determined and therefore have consequences to how deemed employment under IR35 is measured.

## Tackling Disguised Remuneration

Some, more aggressive contractors, have historically participated in the use of loans, including employee benefit trusts, as a means of disguising remuneration and avoid PAYE. Many of the changes announced in the Budget 2016 to tackle this issue have already been enacted, including a new tax charge on loans made after 5 April 1999 that remain outstanding on 5 April 2019.

The government continues to strengthen this legislation with several further steps announced in this Budget, including:

1. All employees and self-employed individuals who have received a disguised remuneration loan will be expected to notify HMRC by 1 October 2019. This step is intended to help HMRC ensure compliance with the loan charge.
2. Government intends to ensure that the liabilities arising from the loan charge are collected from the appropriate person particularly where the 'employer' is located offshore. The intention is to ensure that offshore plans cannot be used to hide the recipient of the loan.

### **Contractor tip**

The proposed enhancements, alongside the existing legislation, will make avoiding a loan charge very difficult. Those contractors who participated in such arrangements should be seeking proactive advice to quantify their liability in anticipation of making the necessary disclosure in 18-24 months.

## Dividends tax

The announcement earlier this year that the £5,000 0% nil rate band would be reduced to £2,000 comes into effect on 6 April 2018. No further comment was made in this Budget and this should be accepted as becoming effective next year. Thankfully, despite some rumours that the Chancellor was set to increase dividend tax rates, no changes were announced.

### **Contractor tip**

Towards the end of this tax year, contractors should carefully consider how their dividends and share holdings are structured in light of this update.

## Employment Allowance

Although some measures to protect the exchequer were announced, for those contractors still claiming the employment allowance there were no changes to the limits.

## Benchmark Scale Rates for Subsistence

In 2016 changes were made to how reimbursement of business expenses were reported and taxed. Those changes were very welcome, simplifying the process, however for many contractors the change meant that Benchmark Scale Rate claims for subsistence could only be claimed where an independent review was undertaken to confirm that an expense has been incurred. This usually meant retaining a receipt.

The Autumn Budget announcement that from April 2019 there will be no need to retain evidence in the form of a receipt and that employers will only be asked to ensure that employees are undertaking qualifying travel may lead to a resurgence of flat rate expense claims for subsistence.

Overseas benchmark scale rates will also be placed on a statutory basis, further simplifying the use of flat rate expense claims when travelling overseas.

## Employee expenses and the taxation of benefits in kind

It was further announced that HMRC will work with external stakeholders to generally improve guidance on employee expenses, particularly travel and subsistence, and simplify the procedures to provide tax relief on employee expenses that are not reimbursed by the employer. Further details will be announced on 1 December 2017 but this could include the use of online claims for tax relief rather than relying on self assessment.

## Insolvency and phoenixism

Following changes to how distributions on liquidation are taxed in April 2016 and the use of Entrepreneurs Relief, the Chancellor announced that government will explore further means for tackling taxpayers that abuse insolvency to avoid or evade paying tax liabilities. Although these measures are expected to put a stop to people avoiding paying the Corporation Tax, VAT and PAYE owed by an insolvent company, this may lead to additional changes that further limit the scope for entrepreneurs relief on company closures.

## Conclusion

Recognising the complexity and importance of the flexible workforce, and in particular limited company contractors is an important step for the Chancellor. Intouch will be at the forefront to continue to protect the interests of all limited company contractors. We shall be actively participating in all relevant consultations, making sure that our views and those of our clients are strongly communicated during the consultation process.

We do recommend that all Limited Company contractors take care and strengthen their working relationships with clients for current and future contracts. Change is on the way but with careful thought and a little effort we believe that most career minded contractors will be able to protect their independent, 'self employed', tax status.

Looking for a more than just a comprehensive Autumn Budget guide? Intouch clients receive just that, directly from their own Personal Accountants.

From unlimited expert advice to up-to-date guidance based on the latest government announcements, Intouch clients can expect nothing but expert advice that's unique to their personal circumstances.

**No call centres, poor advice or unskilled account managers, just your Intouch expert Personal Accountant - that is the Intouch Promise.**

Sounds like the type of professional guidance *you* need? Get in touch today.

**new enquiries:** [enquiries@intouchaccounting.com](mailto:enquiries@intouchaccounting.com)

**phone:** 01202 901 385

**online:** [intouchaccounting.com](http://intouchaccounting.com)

