Clients&FriendsMemo

Autumn Budget 2017 Predictions

14 November 2017

The Chancellor of the Exchequer's first Autumn Budget under the new budget timetable, which sees the Autumn Statement replaced with an Autumn Budget (and the Spring Budget replaced with a Spring Statement), will be announced on Wednesday 22 November 2017. This Clients & Friends Memo considers tax announcements which might be made in the Autumn Budget.

Delivering a budget in most years would ordinarily be enough of a challenge but with uncertainty as to what the economic and political landscape will look like in the aftermath of any Brexit settlement, the Chancellor will perhaps feel the pressure of balancing various fiscal measures more acutely. However, this uncertainty also provides an opportunity for the Government to provide a renewed commitment to measures that will ensure economic growth for individuals and support for businesses in the UK.

An abandonment or postponement of the previously announced further reduction in the UK corporation tax rate to 17% in 2020 would be an obvious candidate for the Chancellor to announce in the Autumn Budget. In an international context, there are some expectations that the proposed UK corporation tax rate reductions will be retained in response to the recently proposed changes to the US corporation tax regime. In a domestic context, such a reversal of a high-visibility commitment to lower headline UK corporation tax rates would be difficult for the Chancellor to make from a political perspective. Any additional revenue generated from such a reversal is unlikely to justify the negative political consequences.

This is symptomatic of the position that the Chancellor faces in the Autumn Budget 2017 – facing calls for bold measures but without necessarily having the resources to respond. Instead, measures which redistribute the tax burden within specific taxes seem more likely and palatable. Concessions or exemptions for first-home buyers or those "downsizing" under the stamp duty land tax regime might be funded by deferring previously announced changes to income tax thresholds and further restrictions on tax relief on pensions contributions.

It is possible that additional or increased investment incentives may be announced, particularly in sectors where the Government anticipates the adverse consequences of Brexit may be felt most keenly. While it would add further length to what is already the world's longest tax code, the introduction of a new "Brexit" investment allowance would not be a complete surprise, and has been contemplated by a number of leading commentators . However, we anticipate the Government will be cautious in providing any such "give aways" in the Autumn Budget, particularly at a time when Brexit negotiations are so finely balanced. Bringing forward previously announced changes to the basis for increases in business rates seems more likely, if less eye-catching.

The Office of Tax Simplification's report into the simplification of the UK's VAT regime considers a number of options for reform, including adjustments to the VAT registration threshold. However, given the VAT regime's nexus with EU measures, any significant changes to the VAT regime may be dealt with as part of a likely "Brexit Budget" once there is further clarity and certainty as regards the terms on which the UK would leave the EU.

Notwithstanding that the Autumn Budget will be delivered in the shadow of Britain's departure from the EU in March 2019, it is also likely that the Autumn Budget will look considerably beyond this point. For example, given the UK's lead in enacting legislation denying certain benefits from hybrid instruments, the UK might also undertake a similar role in relation to initiatives focused on the taxation of the digital economy. In addition, revenue neutral measures aimed at simplifying the administrative burden imposed by UK tax system would also be welcome.

Finally, given the recent media attention given to perceived "offshore" tax avoidance in the so-called "Paradise Papers", some headline grabbing measures targeting some of the more visible forms of assertive tax mitigation and any remaining tax avoidance are likely. Such measures are generally well received by Conservative Party back-benchers in the House of Commons, and offer the Chancellor the opportunity to grab some favourable media headlines. It may, in this context, therefore be an uncomfortable Autumn Budget for owners of luxury jets.

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