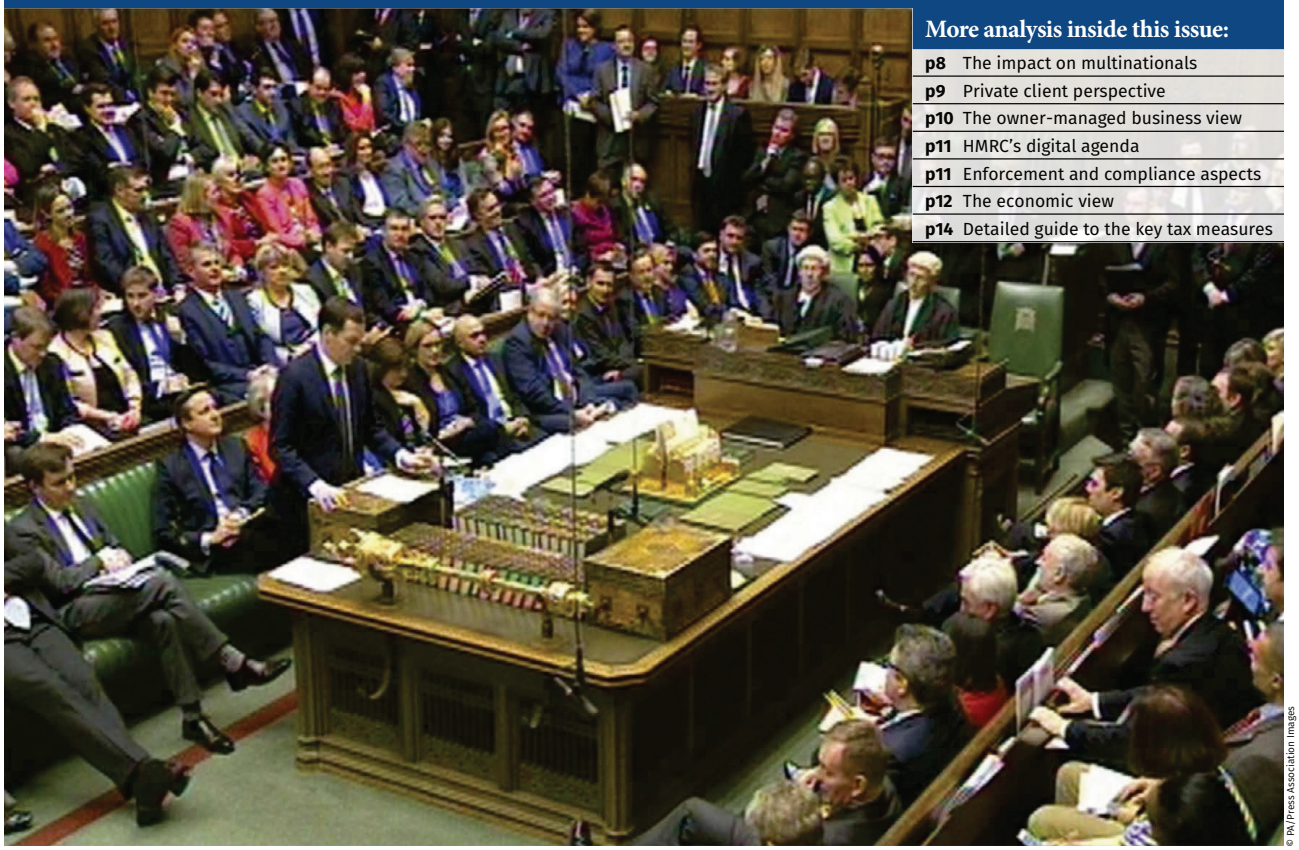

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Q&A

The big picture

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While some may be feeling a touch of Budget fatigue with the fourth fiscal event in 12 months, the chancellor showed no signs of flagging in an Autumn Statement that raised £20bn in extra tax revenues, gave some relief to small businesses, and delivered £12bn p.a. of public spending cuts as part of the 2015 Spending Review by the end of the Parliament.

So was this all about the Spending Review?

The combination of the Spending Review with the Autumn Statement led to an event that was much closer to the true nature of an Autumn Statement; namely, an update of the economic position of the country, rather than the mini-Budgets that we have seen in the past.

However, despite the economic focus, there were plenty of tax measures to explore, with 18 new measures appearing in the scorecard. While some of these were regular appearances, such as the closure of loopholes, others were new innovations, although with a familiar ring to them.

What was the largest tax change?

The biggest single tax in the Autumn Statement was the new so-called apprenticeship levy, which will come in from 2017/18. This will effectively be a 0.5% tax on the payroll of employers, but with an exemption for the first £3m of their payroll, thereby exempting smaller businesses. While receipts of the tax are earmarked for supporting apprentices, this will still look like an increase in employer's national insurance to many – something the government has decried in the past as a 'jobs tax'.

This tax will further increase the cost of employment for all but the smaller businesses, something that may be unexpected given the chancellor's 'triple tax lock' that prohibits increases in income tax, national insurance and VAT. As a 'new tax' (or 'levy' to use the chancellor's preferred, and, some would argue, more sugar-coated, description), this arguably falls outside the Conservative Party's manifesto commitment, much like the Summer Budget's dividend tax was considered not to be merely a special rate of income tax on dividends. If this trend continues, we'll have 11 new taxes by the end of the parliament. Not a sign of simplification of the tax system!

Who else footed the bill?

Having used up the banks and the oil companies as his source of new taxes, the chancellor has moved on to a new target; namely, those individuals who invest in residential property,

arguing that second and buy-to-let investors are creating a shortage in the stock of housing.

Not satisfied with the Summer Budget's restriction on mortgage interest relief for buy-to-let investors, the Autumn Statement included two measures to further penalise this group. The first was a cashflow change, forcing capital gains tax on residential property (i.e. those not covered by principal private residence relief) to be paid within 30 days of completion. In the extreme, this accelerates the payment by some 20 months – quite a cash grab. The second was an increase for buyers by three percentage points in the applicable stamp duty rates. This is also likely to be paired with a shortening of the payment period from 30 days to a mere two weeks.

What about corporation tax?

While the Autumn Statement included the new apprenticeship levy and had the usual range of anti-avoidance measures (including on intangible assets, stamp duty reserve tax, leasing and distributions, as well as a new 60% penalty for general anti-abuse rule (GAAR) adjustments), it was a pleasant contrast from last year's version that included the diverted profits tax. Much of the detail of the changes to corporation tax, such as the patent box changes, will have to wait for the publication of the draft Finance Bill 2016 in two weeks' time on legislation day ('L-day') on 9 December.

One area where we did see some announcements was in relation to the *Improving large business tax compliance* consultation. While we'll again have to wait for the full detail, the sky blue Autumn Statement document did confirm that the government would legislate to require that large businesses publish their tax strategies as they relate to or affect UK taxation; and to introduce a special measures regime to tackle businesses that persistently engage in aggressive tax planning. On the wider question of the code of practice, the third element of the package under consultation, the Statement heralds a reversal with the focus now on 'a framework for cooperative compliance', perhaps indicating more of a two-way relationship than was envisaged previously.

Were there any dogs that didn't bark?

The main absence from the Autumn Statement was the lack of a decision about the future of business rates. At the Conservative Party conference, we had confirmation of the announcement of devolution of the revenue to local authorities and the extension of small business rates relief; however, there was no sign of the conclusion of the consultations on the administration and structure of this tax. Instead, the conclusions will be included within the *Business Tax Roadmap* that will come with Budget 2016. Retailers and manufacturers, who together pay close to half the total burden, will need to wait longer before they can hope for any reprieve. Any hopes that this alignment of the reviews might provide the opportunity for the government to reduce the overall business rates burden were shattered once again by the repeat of the adage that the review has to be fiscally neutral.

Going into the Statement, the comments in the Summer Budget that the government was concerned about the amount of loss for the exchequer on salary sacrifice were another cause of anxiety. The Autumn Statement didn't act on those concerns but instead noted that 'the government remains concerned about the growth of salary sacrifice arrangements and is considering what action, if any, is necessary. The government will gather further evidence, including from employers, on salary sacrifice arrangements to inform its approach.' So watch this space for further updates, this time in Budget 2016.

More recently, the consultation on disguised employment, or IR35, had prompted press speculation about some radical recrafting of the rules, with concerns over the potential for the chancellor to introduce some blunt instruments. In the event, no change was announced in the Statement but we will have to wait for the publication of the consultation response document (again, around the time of L-Day) to see the government's chosen way forward. So this may be a very temporary reprieve.

What was all this about going digital?

The chancellor put a lot of hope into his vision for becoming 'one of the most digitally advanced tax administrations in the world'. He's promised every individual and every small business their own digital tax account by the end of the decade, in order to manage their tax online.

In practice, the allocation of £1.8bn for digital transformation should allow a fundamental reform of government services. However, many of the government's systems are over 30 years old and will need many years to decommission and overhaul. The easy work in digital has been done and this is no longer about building better websites, but about the nuts and bolts on which government operates.

So what are the signals for the future?

The Autumn Statement signalled an overall message that the government is sticking to its bold plan for fiscal consolidation. Despite the £4.4bn tax credits black hole left from the government's row back on welfare cuts, the chancellor held strong in his delivery of £12bn of fiscal consolidation and a predicted £10bn budget surplus by 2019/20. This was achieved without reverting to the usual revenue raisers, which were left on the shelf in this Autumn Statement. The much anticipated 'sugar tax' failed to crystallise on this occasion and motorists escaped fuel duty hikes. Savings of over £20bn from unprotected departments have allowed the government to reinvest £9.5bn towards its political priorities, including the NHS and schools.

Tax evasion will continue to be a priority for the government, who confirmed £800m of funding for HMRC to carry out additional work to tackle evasion and noncompliance in the tax system. This is forecast to deliver an additional £7.2bn over the next five years.

Perhaps the most interesting signal lies in the chancellor's commitment to take tax collection fully into the digital age. The implications of this – for the cost of tax collection, its administrative burdens and, not least, how it relates to HMRC's recent hunger for ever more data collection – will certainly be something to watch closely. ■

Autumn Statement 2015 tax and spending measures scorecard