A NEW ECONOMY **PUBLICATION**

STRATEGICALLY SUPPORTIVE?

REVIEW OF THE SPRING BUDGET 2017

MARCH 2017

BDO

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In his first and last Spring Budget before we move to what will hopefully be a simplified Budget process, with the main event taking place in the Autumn, the Chancellor had been encouraged to give a positive, feel-good message. After all, we are told that the economy has been more resilient than had been expected and that growth continues to be supported by low interest rates and high employment. There are also suggestions that Brexit negotiations are looking more likely to be collaborative than confrontational. Furthermore, we have seen tax receipts boosted by businesses performing well and continued consumer spending. Even borrowing is expected to be down on forecast, although the targets had been relaxed.

However, against the backdrop of this reasonably strong economic performance, the Chancellor made it clear that the Government is preparing for a brighter future by building strong and stable foundations and will not be drawn into spending more than it collects in revenues. The key areas of expenditure had already been trialled, with education, social care, the NHS and addressing the productivity gap being the main beneficiaries.

The fact that relatively few tax changes were announced for businesses should be well received. Smaller businesses will benefit from changes to the business rate regime and a delay in the introduction of digital filing.

The changes to national insurance contribution rates for the self-employed and the reduction in the dividend allowance will go some way to paying for the additional spending and several targeted changes will do the rest.

Overall we didn't see an awful lot of change to what had previously been announced. So the question remains whether enough has been done to support the UK through the uncertain times of an EU withdrawal over the coming months and to create a new economy that works for all. Of course we do it all again in the Autumn, so Mr Hammond will have another opportunity to announce any further changes then.

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UPDATE 15 MARCH 2017

The Government has now announced that the proposed increases in Class 4 NIC for 2018/19 and 2019/20 will not go ahead and that the rate will stay at 9% for the rest of this Parliament. The lack of political support for a measure that many economists see as a logical step demonstrates the need for the careful balancing acts that all Chancellors must perform to ensure their plans can be implemented. The Chancellor will have to redraw his plans for the Autumn Budget to find much needed tax revenues from somewhere else and the focus on the perceived gap between the employed and self-employed will no doubt continue.

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CORPORATE INTEREST RESTRICTION AMENDMENTS

Adjustments will be made to the corporate interest restriction rule that comes into effect from 1 April 2017, implementing the UK's response to the OECD's BEPS Action Point 4. The rule was originally announced in Budget 2016, with draft legislation last released on 26 January 2017.

Announced changes include:

- The correction of a structural flaw in the incorporation of a reworked worldwide debt cap into the rules that would have made carry forward provisions less effective for UK groups. This may also address issues on interaction with the late paid interest rules.
- The definition of related parties will be adjusted to relax the criteria surrounding guarantees. These would have previously included any loan guaranteed by another group member, including subsidiaries, and been overly restrictive.
- Amendments to the public infrastructure exemption including a relaxation of requirements for comparable non-qualifying companies to have similar levels of financing as those covered by the exemption.
- Interest amounts will now include amounts relating to dealing in financial instruments as part of a banking trade, and adjustments will be made to allow insurers to use an alternative amortised cost base.

The first two areas had been seen as key obstacles to the rules operating fairly for many groups. The required changes may further complicate the already lengthy legislation but are expected to be positive overall.

BUSINESS RATES

To help relieve the impact of the business rates revaluation taking effect in England in April 2017, several measures have been put in place for those businesses most adversely affected.

Rate rises are capped under the existing transitional rules but many small businesses that will lose the benefit of small business rate relief will still be hit hard. For such businesses, the minimum transitional cap on their rates increase will now be set at £600. Pubs with a rateable value of up to £100,000 are to receive a business rate discount of £1,000. In addition, local authorities will be given £300m of funding to give relief from business rates at their discretion.

Some pubs and small businesses benefit directly from the two specifically targeted measures. However, the impact for most businesses will be limited to those cases where a business is able to persuade the local authority that it is deserving of discretionary relief: many businesses will still face significant business rate rises this year. The next business rates revaluation exercise is due in 2022 but the Government intends to issue a consultation in the Autumn Budget 2017 on proposals to move to a more frequent revaluation cycle.

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MAKING TAX DIGITAL, SMALL BUSINESSES AND PROPERTY LETTING

In response to concerns expressed by businesses about the timetable for implementing digital record keeping and reporting, the mandatory commencement date for unincorporated businesses and landlords with turnover below the VAT threshold (£85,000 from 1 April 2017) will be deferred from April 2018 to April 2019.

Businesses, self-employed people and landlords will now be required to start using the new digital service from:

- April 2018 if they have profits chargeable to income tax, pay Class 4 NIC and turnover is in excess of the VAT threshold
- April 2019 if they have profits chargeable to income tax, pay Class 4 NIC and turnover is below the VAT threshold
- April 2019 if they are registered for and pay VAT
- April 2020 if they pay corporation tax or are a partnership with a turnover in excess of £10m.

Businesses, self-employed people and landlords with turnover under £10,000 are exempt from these requirements. HMRC has confirmed that taxpayers will have at least 12 months to become familiar with the changes before any late submission penalties will be applied. HMRC will also consult again on a new penalty model.

SIMPLIFIED CASH BASIS OF ACCOUNTING FOR SMALL BUSINESSES

The entry threshold for the simplified cash basis of accounting for unincorporated businesses will be increased from £83,000 to £150,000 with effect from 6 April 2017. The exit threshold will continue to be set at double the entry threshold and will therefore be increased to £300,000.

The entry and exit threshold for self-employed Universal Credit claimants will continue to equal the exit threshold of non-Universal Credit claimants and will be increased to £300,000.

Finance Bill 2017 will include a simple list of disallowed expenditure to simplify the rules for allowable deductions within the cash basis. This change will have effect from 6 April 2017, although for 2017/18 trading profits can be calculated using either the new rules or the existing rules.

Entitlement to use the cash basis will be extended to most unincorporated property businesses from 6 April 2017. Limited liability partnerships (LLPs), trusts, partnerships with corporate partners or those with receipts of more than £150,000 will be excluded.

It will still be possible for landlords to opt to use Generally Accepted Accounting Principles (GAAP) to prepare their profits for tax purposes. Those with both a UK and an overseas property business can decide whether to use the cash basis or GAAP for each. Those with a trade as well as a property business both eligible for the cash basis will be able to decide separately for each of these. Where a rental property is jointly owned by persons other than spouses or civil partners, they will be able to decide individually.

TAXATION OF OFFSHORE PROPERTY DEVELOPERS

All profits from a trade in UK land recognised for accounting purposes on or after 8 March 2017 but arising from contracts entered into before 5 July 2016 will now be chargeable to UK tax if not already chargeable previously. New rules announced in Budget 2016 for taxing trading profits from UK land came into force on 5 July 2016. However, profits from contracts entered into before 5 July 2016 were excepted from those rules.

From 8 March 2017, all profits from a trade in UK land will now be chargeable to UK tax regardless of when contracts for sale were entered into. This change will only affect situations where a contract was entered into as part of a trade in UK land before 5 July 2016 and where the profit arising from the sale has not yet been recognised for accounting purposes.

The most likely circumstance where this could arise would be on pre-sale contracts entered into at an early stage of development (and before 5 July 2016) and where the development has not yet reached a sufficient stage of completion to enable the transfer of the land to the purchaser and hence the profit on sale has not yet been recognised.

Property developers in general will also be affected by changes to Stamp Duty Land Tax (SDLT), but a year later than planned. After considering the responses to the 2016 consultation on the SDLT filing and payment process, the Government has decided to delay the reduction in the filing and payment window from 30 days to 14 days until after April 2018.

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WITHHOLDING TAX ON INTEREST AND DOUBLE TAX TREATY PASSPORT SCHEME

The Double Taxation Treaty Passport Scheme is an administrative scheme which simplifies the process for accessing reduced withholding tax rates for interest payments by UK borrowers to overseas lenders under the relevant double taxation treaty. The scheme involves the overseas lender applying for a treaty passport. Once granted, this can be used to make further loans to UK borrowers without contacting the overseas tax authority and HMRC for every loan.

Currently restricted to corporate lenders and UK borrowers, from 6 April 2017 the scheme will apply to all types of overseas lenders and UK borrowers. Revised terms and conditions for the scheme will be published on 6 April 2017.

The Government has also announced an exemption from withholding tax for interest on debt traded on a multilateral trading facility, removing a barrier to the development of UK debt markets. A consultation document on the implementation of the exemption will be published on 20 March 2017.

R&D REGIME REVIEW

The Government has undertaken a review of the tax environment for R&D in the UK, and findings have confirmed that the R&D regime is an effective measure supporting innovation in the UK. To further support business and maintain the regime's competitiveness, administrative changes will be made.

These changes will affect both ends of the company spectrum. For large businesses, there will be a focus on improving the certainty around how the rules of R&D tax relief apply to claims and for SMEs there will be an increase in the awareness of the availability of R&D tax credits.

While full details of these changes are yet to be released and no changes to the structure or rates of R&D relief of either the SME or large companies scheme were announced, the Government will continue to keep the competitiveness of the UK R&D tax credits system under review.

Further details have been given of how the £4.7bn R&D funding from the National Productivity Investment Fund (NPIF) will be invested in R&D programmes. The first investments will be in:

- The Industrial Strategy Challenge Fund that will provide funding for the development of disruptive technologies that have the potential to transform the UK economy. The technologies will include artificial intelligence and robotics and batteries for the next generation of electric vehicles.
- Funding high-skilled research talent by funding an additional 1,000 PhD places in the above areas.

The Government's strong endorsement of R&D incentives should result in more clarity and easier access, both in the form of grant funding and in R&D tax relief. For SMEs, one incentive can restrict the other and so it will be important to understand the interaction of the two in order to maximise the R&D benefits.

STOPPING BUSINESSES CONVERTING CAPITAL LOSSES INTO TRADING LOSSES (TAX AVOIDANCE)

The appropriation of a capital asset to trading stock is treated as taking place at market value and gives rise to a chargeable gain or allowable loss. Historically it has been possible to elect for this gain or loss to be deferred and crystallised as a trading profit or loss when the asset is sold. This has allowed businesses to convert losses attributable to a period for which the asset was capital in nature into more flexible trading losses.

From 8 March 2017, this election can only be made where the appropriation into trading stock at market value would give rise to a chargeable gain and not where it gives rise to an allowable loss. Where an appropriated asset is standing at a loss, the loss will be subject to the more restrictive chargeable gains rules on how it may be offset in the future.

Assets within the charge to ATED (Annual Tax on Enveloped Dwellings) will be similarly affected. Any chargeable gain or allowable loss on such an asset is separated into an 'ATED-related' gain or loss and a 'non-ATED related' gain or loss (based on the respective time periods that the asset was or was not within the ATED charge). A 'non-ATED related' gain or loss could historically be the subject of an election that has a comparable effect to the one outlined above. However from 8 March 2017, Finance Bill 2017 will prevent the election being made where there is a 'non-ATED related' loss. The treatment of the 'ATED-related' gain or loss is unchanged as that part of the gain or loss cannot be the subject of an election under the current rules.

02 PERSONAL TAXES

NIC REFORM FOR THE SELF EMPLOYED

Self-employed individuals (which include partners in a partnership) pay Class 4 national insurance contributions (NIC) on their trading profits, as well as Class 2 NIC at a flat weekly rate. This is in contrast with employees who pay Class 1 NIC on their earnings.

As previously announced, from April 2018 Class 2 NIC (£2.85 per week for 2017/18 for most self-employed individuals) will be abolished. As this will further increase the difference between the NIC paid by self-employed individuals and those in employment, the Chancellor announced an increase in the main rate of Class 4 NIC.

From April 2018, the Class 4 NIC main rate for self-employed individuals will increase from 9% to 10%, with a further increase to 11% from April 2019. This will align the rate more closely with Class 1 NIC paid by employees, currently 12%. The rate of 2%, which applies to profits/earnings above the upper earnings limit (£45,000 for 2017/18), remains unchanged for both employees and the self-employed.

Overall, self-employed individuals will pay more NIC from April 2018, and it is only those with profits below £16,250 that will be no worse off. The Government is however keen to put those in self-employment on a more equal footing with employees to reduce the tax advantages for those working in the 'gig economy'. This is especially the case as recent changes to State Pension entitlement now give self-employed individuals access to the same State Pension as employees.

UPDATE 15 MARCH 2017

The Class 4 NIC main rate for self-employed individuals will now remain at 9%.

DIVIDEND ALLOWANCE

The dividend allowance was introduced by Finance Act 2016 as part of the reforms to the taxation of dividends from 6 April 2016. The allowance was intended to compensate for the removal of the dividend tax credit and to take a number of individuals with modest dividend income out of the self-assessment regime.

The allowance, which gives a 0% rate of tax on dividend income, will fall from £5,000 to £2,000 from 6 April 2018. The rationale for this reduction is to close the gap between individuals who are employed or self-employed and those who are operating their business through a company and can therefore take dividends instead of a salary. The Government expects that 80% of 'general investors' will continue to pay no dividend tax despite the change.

INCOME TAX RATES AND ALLOWANCES

From 6 April 2017, the personal allowance will increase from £11,000 to £11,500. In addition, the main UK basic rate band (but not the basic rate band for Scottish

income tax payers) will increase from £32,000 to £33,500. This means that in 2017/18 an individual will be able to earn £45,000 (the personal allowance plus the basic rate band) before paying the higher rate of tax at 40%. Scottish income tax payers will be able to earn £43,000 before reaching this threshold. These increases are in line with the UK Government's commitment to raising the higher rate threshold to £50,000 by the end of this Parliament.

The amounts that an individual can contribute to a tax-free Individual Savings Account (ISA) will also be increased from 6 April 2017. The ISA allowance will increase from £15,240 to £20,000, whilst the Junior ISA and Child Trust Fund subscription limits will increase from £4,080 to £4,128. 2017/18 will also see the Lifetime ISA (LISA) made available for the first time to individuals aged 18-40. The LISA allows individuals to save up to £4,000 each year and receive a bonus of 25% on the contributions made. Withdrawals from a LISA can be made tax-free if taken out after the age of 60 or if put towards a first home worth up to £450,000. Taking funds out at any other time will in most cases result in a withdrawal of the bonus and growth thereon, as well as an administration charge.

As previously announced an allowance of £1,000 will be available from 6 April 2017 for both property and trading income. Claiming the allowance will mean the taxpayer is unable to claim any other deductions against these sources.

NEW TAX CHARGE ON TRANSFERS INTO QUALIFYING RECOGNISED OVERSEAS PENSION SCHEMES

In the latest of a series of changes to the taxation of offshore pensions the Government has introduced two new tax charges on Qualifying Recognised Overseas Pension Schemes (QROPS).

A new 25% tax charge will be levied on transfers from UK pensions into QROPS from 9 March 2017 onwards. However, some individuals transferring from UK pension schemes to QROPS will be exempt from the charge. To qualify for exemption, individuals must prove to the UK scheme administrators that they meet one of the following conditions:

- The individual is resident in the country in which the receiving QROPS is established
- The individual is resident in a European Economic Area (EEA) country and the QROPS is established in an EEA country
- The individual is an employee of an international organisation or overseas public body which has set up the QROPS for it employees
- The QROPS is an occupational pension scheme and the individual is an employee of the sponsoring employer.

Where a transfer is exempt from the charge under one of these conditions, a charge can still arise after the transfer has been made if the individual changes tax residence in the five tax years starting from 6 April following the transfer. Similarly, if the 25% transfer charge is levied, but one of the qualifying conditions is met within the same 5 year period, the charge will be refunded.

From 6 April 2017, where an individual transfers from a UK pension fund to a QROPS, all subsequent payments out of funds transferred will be subject to the UK tax rules for pension payments for the five tax years from the date of transfer. This will apply regardless of whether the 25% transfer charge was levied and where the individual is resident.

These changes are clearly aimed at ensuring that the UK tax reliefs for pension contributions are not abused by individuals taking pension benefits outside the UK tax net in artificial circumstances.

SOCIAL INVESTMENT TAX RELIEF

Social Investment Tax Relief (SITR) was originally introduced in 2014 to encourage investment in 'social enterprises' by offering a tax reducer to individual investors of 30% of their investment. To qualify as a social enterprise the organisation must be either a registered charity, Community Benefit Society or Community Interest Company and meet various other qualifying conditions.

Further to an announcement made in Autumn Statement 2016, the Chancellor confirmed that various amendments to the SITR scheme will take effect from 6 April 2017. These changes include:

- An increase in the maximum amount that may be raised by a qualifying enterprise over its lifetime to £1.5m (previously £250,000)
- The exclusion of certain activities (while initially care homes will be excluded, the Government will look to introduce an accreditation system for such investments)

- Certain clarifications around the eligibility to tax relief for individuals connected to the enterprise.

This will be welcomed by both social enterprises and those individuals looking to make investments in this area as, at present, the funding that may be raised under SITR is somewhat limited. It is hoped that the accreditation system to be introduced for care homes will offer clarity for those enterprises looking to make such investments in the future. The Government also announced in Autumn Statement 2016 that it would keep SITR under review, with a commitment to undertake a further review within two years of these changes. It is hoped that it will stick to this promise, to ensure that the changes made at Budget 2017 are well targeted and have the desired effect.

NON-DOM CHANGES: CLARIFICATIONS

In the Summer Budget 2015, the Government announced wholesale changes to the taxation of non-UK domiciled individuals who have been resident in the UK for 15 out of the previous 20 years and to the inheritance tax (IHT) treatment of UK residential property. The Government has confirmed that the changes will come into effect as announced from 6 April 2017.

Following consultation on the draft legislation, the Government has also announced the following changes to the draft legislation, to take effect from April 2017.

UK RESIDENTIAL PROPERTY

The Government had previously announced that an individual's interest in UK residential property through a 'qualifying interest' of less than 1% in a close company or a partnership will be disregarded for the purposes of the new UK residential IHT rules. However, following the consultation on the draft legislation, the limit below which 'qualifying interests' are disregarded has been increased to 5%.

SEGREGATION OF OVERSEAS MIXED ACCOUNTS

The Government announced in Budget 2016 that non-UK domiciled individuals will be able to segregate amounts of income, gains and capital within their overseas mixed funds held since April 2008. This opportunity was to be open for one year from 6 April 2017 but, following consultation on the announcement, it was later extended to two years. The Government has announced that, following further consultation on the draft legislation, it will extend these provisions to include income, gains and capital held in mixed funds from years before 2007/08, as well as those from subsequent years.

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OFF-PAYROLL LABOUR IN THE PUBLIC SECTOR

The new rules for the use of off-payroll labour (OPL) in the public sector will affect all parties in the supply chain, from 6 April 2017. This means public bodies, employment agencies and other third parties involved in the provision of workers will need to consider the potential impact to current and future arrangements. The individual worker will also need to understand the effect of the new rules.

Where an individual is required to supply services to a public body via an intermediary (often a personal service company or LLP), the public body will need to assess whether the individual would be caught by the IR35 rules, ie if the individual was hired directly by the public body, the relationship would be one of employment. Where the new rules apply, the entity paying the intermediary (fee-payer) is required to calculate PAYE and NIC on the deemed employment, remit those funds to HMRC and pay over the net sum to the intermediary. The fee payer is also liable for employer's NIC and, where relevant, the Apprenticeship Levy.

All parties in the supply chain will need to identify how the new rules for the use of OPL will impact their respective positions, given the potential changes needed to procurement processes, contractual agreements, payment processes and policies. In addition, each party will need to identify the financial impact of the new rules.

Updated HMRC guidance 'Off-payroll working in the public sector: changes to the intermediaries legislation', published in the Budget, refers to an option for the fee-payer to take into account certain expenses of the worker when calculating PAYE and NIC on a deemed payment. This suggests feedback gathered under the consultation was considered. However, the absence of any detailed guidance in such areas as the definition of 'outsourced services' or the practical accounting implications for the intermediary is disappointing.

The Employment Status Service online tool is available as further HMRC support but, given the complexities of employment status, a public body should take care when assessing an individual worker's IR35 position.

The Finance Bill will be published on 20 March 2017 and it is to be hoped that more detailed guidance accompanies the legislation to assist the relevant parties to apply the new rules. The Chancellor confirmed that he sees the 'gig economy' as a threat to tax revenues so an extension of the OPL rules in his Autumn Budget cannot be ruled out.

EMPLOYEE BENEFITS AND SALARY SACRIFICE

The Government has confirmed the changes to the tax rules on any non-cash benefits in kind that are provided by, or connected with, any form of salary sacrifice arrangement. The new rules will apply from a start date of 6 April 2017, 2018 or 2021 depending on the benefit in question.

The new measures will ensure that employees participating in salary sacrifice arrangements pay the same tax as employees who don't. All forms of non-cash benefit including vouchers and credit tokens fall within the new rules. However, certain benefits

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commonly delivered by salary sacrifice will be excluded:

- Pensions and pensions advice
- Childcare
- Cycle to work
- Company cars with CO_2 ratings below 75 g/km
- Life assurance.

The new rules start from 6 April 2017 for all salary sacrifice arrangements that employees enter from this date. Existing arrangements and those entered into before 6 April 2017 will not be affected by the new rules until 6 April 2018. Company cars, vans, or payment of school fees through salary sacrifice arrangements will not fall within the new rules until 6 April 2021.

Under the new rules a comparison is made between the tax being paid on the salary being given up and the tax due from the benefit being supplied. This is a straightforward comparison in most cases but for cars, vans, accommodation and loans the existing calculation steps will be modified. During 2017, the Government will also consult on proposals to change the way all accommodation benefits are valued for tax and NIC purposes. It will also review the current exemptions and valuation methodology for other benefits in kind to make the tax system 'fairer'. There will be a similar review of income tax relief for employee expenses (whether reimbursed or not).

IMAGE RIGHTS GETTING CLEARER

The Government has indicated that HMRC will publish guidelines for employers paying for image rights in respect of employees under separate contractual arrangements to employment income.

Following a loss by HMRC in the case of *Sports Club and others v Insp of Taxes* SpC 253 in 2000, HMRC has had to accept that the concept of an image right, and of a payment for the use of that right, falls outside of the scope of PAYE and NIC. The details are complicated but, if the correct fact pattern is in place, then the outcome of the case can be replicated. Since the ruling, this position was abused by some clubs and HMRC correctly sought recovery of PAYE and NIC when this occurred. It then sought to clarify the position and established guidelines for the football industry that it put in place and certain conditions, that if met, would allow an employer to make image rights payments without deducting PAYE and NIC.

These guidelines have recently come to more prominent public attention and there has been significant press commentary on image rights payments, particularly in relation to professional footballers, questioning the current position. This announcement would suggest that the Government feels it is appropriate to revisit the issue and ask HMRC to issue revised guidelines. However, unless the legal position changes dramatically, the proposed clarification is expected to allow employers to continue to pay image rights – although within strict guidelines.

04 INDIRECT TAXES

UPDATED VAT REGISTRATION AND DEREGISTRATION THRESHOLDS

From 1 April 2017, the VAT registration threshold will be increased from £83,000 to £85,000 and the deregistration threshold from £81,000 to £83,000.

VAT: CONSTRUCTION INDUSTRY - REVERSE CHARGE

The Government will shortly consult on new anti-fraud measures related to the supply of construction industry labour. This will include a proposal to introduce a domestic VAT reverse charge on the supply of labour, which would mean that the recipient rather than the supplier would account for the VAT due. Such an approach already exists for the domestic supply of mobile phones and computer chips. The consultation on this proposal will be published on 20 March 2017.

VAT: USE OF MOBILE PHONES

It was announced that secondary legislation will be introduced later in the year to apply VAT to all use of mobile phones by consumers, wherever the phone is used. This will be achieved by removing the 'use and enjoyment' provision that currently means that UK mobile phone users are not charged VAT when using their mobile outside the EU. This will result in an increased cost for consumers, but is in line with the agreed international approach.

VAT: ONLINE PLATFORMS - SPLIT PAYMENTS

The Government is considering further measures that will affect online platforms that act for overseas businesses selling goods in the UK. One proposal is that the platform would be required to pay the VAT on each sale directly to HMRC and only pay the balance (ie the net price) to the overseas business. This is the so-called 'split payments' model. Further information will be released on 20 March 2017.

PENALTY FOR PARTICIPATING IN VAT FRAUD: AMENDMENTS TO PROPOSALS

In 2016, the Government consulted on the introduction of a new penalty for those who knew, or should have known, that their transactions were connected with fraud. This is specifically aimed at businesses caught up in Missing Trader Intra-Community fraud disputes and the penalty will be calculated at 30% of the potential lost VAT. The new regime will replace the standard penalty that accompanies an assessment for lost tax. HMRC's aim is to remove the need to show whether the taxpayer's behaviour was careless or deliberate, saving time and costs by allowing any VAT and penalty appeal to be dealt with in the same Tribunal hearing. The measure also gives HMRC powers to attribute the penalty to an officer of the company whose actions

gave rise to that penalty, eg a director, manager, secretary or any other person managing or purporting to manage the company's affairs.

The Government now says that it has made some minor changes to clarify the measure and will limit the naming of a company officer to cases where the tax due exceeds £25,000. The new penalty will come into force once Finance Bill 2017 receives Royal Assent.

SOFT DRINKS INDUSTRY LEVY

Rates have now been confirmed for the soft drinks industry levy, which was first announced in Budget 2016. The new levy, which will come into force in April 2018, is targeted at reducing childhood obesity and will apply to producers and importers of soft drinks which have had sugar added to the drinks. In most cases it will be the packager/bottler of the drinks who is required to register for and pay the levy, whether or not they are the legal owner of the product.

Following a consultation period in summer 2016, the main rate for producers of drinks with more than 5g of sugar per 100 millilitres has been set at 18 pence per litre and the higher rate for drinks with more than 8g per 100 millilitres set at 24 pence per litre. The legislation has also been revised to include a criminal offence for evasion of the levy.

During his speech, the Chancellor commented that the levy is now expected to raise less revenue than initially forecast because manufacturers have already started to reduce the sugar content of drinks in anticipation of the new charge.

REVISED ANTI-FORESTALLING LEGISLATION FOR INSURANCE PREMIUM TAX RATE RISE

As announced in Autumn Statement 2016, the standard rate of Insurance Premium Tax (IPT) will rise from 10% to 12% from 1 June 2017. Anti-forestalling measures are already applicable for the period between the announcement of a change in the rate of IPT, and its introduction (eg to prevent pre-paying premiums or extending policies to avoid an increase in tax). The Government has now replaced this with updated anti-forestalling legislation, which takes effect today and will cover the forthcoming rate rise.

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