



HM Revenue  
& Customs



HM Treasury

# Autumn Statement 2016: tax updates and technical changes

23 November 2016

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# Contents

<b>Introduction .....</b>	<b>3</b>
<b>1. Personal tax .....</b>	<b>4</b>
<b>2. Business tax.....</b>	<b>4</b>
<b>3. Energy and transport taxes .....</b>	<b>6</b>
<b>4. Indirect taxes.....</b>	<b>6</b>
<b>5. Tax administration.....</b>	<b>6</b>
<b>6. Avoidance and evasion.....</b>	<b>7</b>

## **Introduction**

Autumn Statement 2016 sets out the economic context and the government's fiscal strategy, and announces policy changes to implement it. This document supplements Autumn Statement with updates on tax consultations, confirms standard uprating changes, and announces technical changes to tax legislation where no substantive change is being made to the policy. It aims to provide information about ongoing development of policies that are of relevance primarily to tax professionals and specialists.

The Overview of Legislation in Draft, providing further information on all tax changes and updates on all tax consultations, will be published on 5 December 2016. Draft Finance Bill clauses, explanatory notes, tax information and impact notes, and responses to consultations will also be published on this date.

## **1. Personal tax**

### **1.1. Simplifying the Pay as You Earn Settlement Agreement (PSA) process**

As announced at Budget 2016 and following consultation, the government will legislate in Finance Bill 2017 to simplify the process for applying for and agreeing PSAs. This will have effect in relation to agreements for the 2018 to 2019 tax year and subsequent tax years.

### **1.2. Dates for 'making good' on benefits in kind**

As announced at Budget 2016 and following consultation, the government will legislate in Finance Bill 2017 to ensure an employee who wants to 'make good', on a non-payrolled benefit in kind will have to make the payment to their employer by 6 July in the following tax year. 'Making good' is where the employee makes a payment in return for the benefit in kind they receive. This reduces its taxable value. This will have effect from April 2017.

### **1.3. Assets made available without transfer of ownership**

The government will introduce provisions in Finance Bill 2017 to clarify existing legislation so that employees will only be taxed on business assets for the period that the asset is made available for their private use. This will take effect from 6 April 2017.

### **1.4. Life insurance policies**

As announced at Budget 2016 and following consultation, the government will legislate in Finance Bill 2017 regarding the disproportionate tax charges that arise in certain circumstances from life insurance policy part-surrenders and part-assignments. This will allow applications to be made to HM Revenue and Customs (HMRC) to have the charge recalculated on a just and reasonable basis. This will lead to fairer outcomes for policyholders. The changes will take effect from 6 April 2017.

### **1.5. Personal Portfolio Bonds**

As announced at Budget 2016 and following consultation, the government will legislate in Finance Bill 2017 to take a power to amend by regulations the list of assets that life insurance policyholders can invest in without triggering tax anti-avoidance rules. The changes will take effect on Royal Assent of Finance Bill 2017.

### **1.6. Junior ISA and Child Trust Fund limit**

The annual subscription limit for Junior ISAs and Child Trust Funds will be uprated in line with the Consumer Prices Index (CPI) to £4,128, alongside the ISA subscription limit increase from £15,240 to £20,000, which was previously announced at Budget 2016. This will be effective from 6 April 2017.

## **2. Business tax**

### **2.1. Northern Ireland Corporation Tax**

The government will amend the Northern Ireland corporation tax regime in Finance Bill 2017 to give all small and medium sized enterprises (SMEs) trading in Northern Ireland the potential to benefit. Other amendments will minimise the risk of abuse

and ensure the regime is prepared for commencement if the Northern Ireland Executive demonstrates its finances are on a sustainable footing.

## **2.2. Corporation Tax deduction for contributions to grassroots sport**

As announced at Autumn Statement 2015 and following consultation, in Finance Bill 2017 the government will expand the circumstances in which companies can get Corporation Tax deductions for contributions to grassroots sports from 1 April 2017.

## **2.3. Patent Box rules**

The government will legislate in Finance Bill 2017 to add specific provisions to the Patent Box rules, covering the case where Research and Development (R&D) is undertaken collaboratively by 2 or more companies under a 'cost sharing arrangement'. The provisions ensure that such companies are neither penalised nor able to gain an advantage under these rules by organising their R&D in this way. This will have effect for accounting periods commencing on or after 1 April 2017.

## **2.4. Authorised contractual schemes: reducing tax complexity for investors in co-ownership authorised contractual schemes**

As announced at Budget 2016 and following consultation, the government will introduce legislation in Finance Bill 2017 and secondary legislation to clarify the rules on capital allowances, chargeable gains and investments by co-ownership authorised contractual schemes (CoACS) in offshore funds, as well as information requirements on the operators of CoACS.

## **2.5. Hybrids and other mismatches**

The government will legislate in Finance Bill 2017 to make minor changes to ensure that the hybrid and other mismatches legislation works as intended. The changes will have effect from 1 January 2017.

## **2.6. Annual Tax on Enveloped Dwellings**

The annual charges for the Annual Tax on Enveloped Dwellings (ATED) will rise in line with inflation for the 2017 to 2018 chargeable period.

## **2.7. Clarification of tax treatment for partnerships**

Following consultation, the government will legislate to clarify and improve certain aspects of partnership taxation to ensure profit allocations to partners are fairly calculated for tax purposes. Draft legislation will be published for technical consultation.

## **2.8. Tax-advantaged venture capital schemes**

In Finance Bill 2017 the government will amend the requirements for the tax-advantaged venture capital schemes – the Enterprise Investment Scheme (EIS), the Seed Enterprise Investment Scheme (SEIS) and Venture Capital Trusts (VCTs) – to:

- clarify the EIS and SEIS rules for share conversion rights, for shares issued on or after 5 December
- provide additional flexibility for follow-on investments made by VCTs in companies with certain group structures to align with EIS provisions, for investments made on or after 6 April 2017
- introduce a power to enable VCT regulations to be made in relation to certain shares for share exchanges to provide greater certainty to VCTs

- a consultation will be carried out into options to streamline and prioritise the advance assurance service

The government will not be introducing flexibility for replacement capital within the tax-advantaged venture capital schemes at this time, and will review this over the longer term.

### **3. Energy and transport taxes**

#### **3.1. Landfill Tax: definition of taxable disposal**

As announced at Budget 2016 and following consultation, the government will amend the definition of a taxable disposal for Landfill Tax purposes in Finance Bill 2017. This will bring greater clarity and certainty for taxpayers on the Landfill Tax liability of activities carried out at a landfill site. This will come into effect after Royal Assent of Finance Bill 2017, on a day to be appointed by Treasury Order.

### **4. Indirect taxes**

#### **4.1. Freeplays in Remote Gaming Duty**

Following the consultation announced at Budget 2016, the government will legislate in Finance Bill 2017 to bring the tax treatment of freeplays for remote gaming more in line with the treatment for free bets under General Betting Duty. The changes will take effect for accounting periods beginning on or after 1 August 2017.

#### **4.2. Tobacco Illicit Trade Protocol: licensing of tobacco machinery and the supply chain**

Following consultation the government will legislate in Finance Bill 2017 to introduce a licensing scheme for tobacco machinery to allow officials to quickly determine whether machines are being held legally. Applications for licences will be accepted from January 2018 and the scheme will come into force on 1 April 2018.

#### **4.3. Implementation of the Fulfilment House Due Diligence Scheme**

As announced at Budget 2016 and following a consultation on the scope and design of the scheme, the government will legislate in Finance Bill 2017 to introduce a new Fulfilment House Due Diligence Scheme in 2018. This will ensure that fulfilment houses play their part in tackling VAT abuse by some overseas businesses selling goods via online marketplaces. The scheme will open for registration in April 2018.

### **5. Tax administration**

#### **5.1. Increased HMRC external performance reporting**

From next year HMRC will publish its customer service performance data more regularly and in greater detail. This will include the monthly publication of digital, telephony and postal performance data, as well as new customer complaints data.

## **6. Avoidance and evasion**

### **6.1. Updating the VAT Avoidance Disclosure Regime**

As announced at Budget 2016 and following consultation, legislation will be introduced in Finance Bill 2017 to strengthen the regime for disclosure of avoidance of indirect tax. Provision will be made to make scheme promoters primarily responsible for disclosing schemes to HMRC and the scope of the regime will be extended to include all indirect taxes. This will have effect from 1 September 2017.

### **6.2. A penalty for participating in VAT fraud**

As announced at Budget 2016 and following consultation, the government will legislate in Finance Bill 2017 to introduce a new and more effective penalty for participating in VAT fraud. It will be applied to businesses and company officers when they knew or should have known that their transactions were connected with VAT fraud. The penalty will improve the application of penalties to those facilitating orchestrated VAT fraud. The new penalty will be a fixed rate penalty of 30% for participants in VAT fraud. This will be implemented following Royal Assent of the Finance Bill 2017.

### **6.3. Power to examine and take account of goods at any place**

The government will introduce legislation in Finance Bill 2017 to extend the current customs and excise powers of inspection. This will amend the Customs and Excise Management Act 1979 and enable officers to examine goods away from approved premises such as airports and ports, to search goods liable for forfeiture and open or unpack any container. This will take effect from Royal Assent of the Finance Bill 2017.



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