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"WE HAVE SET OUR COURSE. WE ARE A GREAT NATION"

AUTUMN STATEMENT
NOVEMBER 2016

". . . A NEW CHAPTER IN OUR COUNTRY'S HISTORY"

In his first Autumn Statement, the new Chancellor of the Exchequer, Philip Hammond, boasted that the UK will be the fastest growing major economy in the world.

He added that the Washington-based International Monetary Fund (IMF) stated it (the UK economy) had *"confounded commentators at home and abroad with its strength and resilience."*

Overall he has pledged to tackle its long-term weaknesses and create an *"economy for everyone."*

GROWTH OUTLOOK

The growth forecast from the Office for Budget Responsibility (OBR), has been increased to 2.1% this year, up from the previous 2%, but downgraded to 1.4% in 2017, from 2.2% and 1.7% in 2018, down from 2.1%. The government is no longer anticipating a budget surplus in 2019/20. The Chancellor does, however, promise the budget will balance *"as soon as practicable"* in the next parliament. Unfortunately, Brexit is expected to reduce growth in the UK by 2.4 percentage points over the next five years.

GOVERNMENT BORROWING

Public borrowing, according to the OBR, will be reduced to 3.5% of Gross Domestic Product (GDP) this year, compared with 4% seen in the last financial year and it will fall continuously during this parliament before reaching 0.7% in 2021/22 – the lowest level seen for two decades. In total this borrowing equates to £68.2bn in 2016/17, reducing each year to £17.2bn in 2021/22.

TAXATION

In keeping with his wish to encourage international business to the UK, the Chancellor confirmed existing plans to cut Corporation Tax to 17%, the lowest of any G20 nation, in April 2020. The business rates transitional relief cap will be lowered and rural rate relief increased to 100%. From next June, Insurance Premium Tax, currently the lowest in Europe, will be raised from 10% to 12%. The UK export finance capacity will be doubled.

> *"We have set our course. We are a great nation. Bold in our vision. Confident in our strengths. And determined in our ambition to build a country that works for everyone."*

The current Carbon Price Support for the oil and gas industry will be capped until 2020, while business rates reductions totalling £6.7bn will be introduced. The fuel duty rise will be scrapped for the seventh year running.

Personal Income Tax thresholds will rise to £11,500 per annum in April 2017 as planned and then to £12,500 by 2020. The higher rate threshold will rise to £50,000 by the end of this parliament. Employees' current tax savings, on both salary sacrifice and many benefits in kind, will be ended, with the exception of pension contributions, childcare, ultra-low emission cars and cycle to work schemes. The National Living Wage will be increased from £7.20 to £7.50 in April next year for those aged 25 and over.

Employee and employer National Insurance thresholds will be equalised at £157 per week, but employees will pay no extra.

Mr Hammond reinforced his commitment to stopping aggressive tax avoidance schemes, stating: *"We must constantly be alert to new threats to our tax base"*. He believes his new measures on avoidance will have the effect of raising £2bn.

PERSONAL FINANCE

The rollout of tax-free childcare for those eligible will start in 2017. A new Savings Bond, open to those aged 16 and over, issued via

National Savings and Investments (NS&I) offering about 2.2% interest for a three-year term, will be made available from April 2017 for a period of 12 months: the minimum investment will be £100 and the maximum £3,000.

PENSIONS

The government will shortly publish a consultation document to address what they believe to be pension scams which have increased substantially since the April 2015 pension freedoms. This may include the recommendation to ban any cold calling in relation to pension products and develop greater powers for providers to block suspicious fund transfers.

For those who have already drawn-down their pension, the Money Purchase Annual Allowance will be limited to £4,000, as of April 2017. This is designed to stop beneficiaries from gaining double pension relief. The government will 'consult' on this proposal. Also, the tax treatment of foreign pensions will be brought into line with the UK's current domestic tax regime. This will have the effect of bringing any pension payment or lump sums into the UK for tax purposes.

The triple lock applied to any increase in the State Pension will remain for this parliament.

INFRASTRUCTURE AND INNOVATION INVESTMENT

Mr Hammond has pledged £1.1bn for investment in English local transport, with £220m for national roads, together with £390m to help develop low emission vehicles. An East West rail link, connecting Oxford and Cambridge, our two greatest university cities, will be created to establish a new development and innovation corridor; £110m has been earmarked towards the cost. There will be a 100% business rate relief for five years for new fibre infrastructure to promote 5G network capability and an additional £1bn for developing our digital infrastructure. The 'Barnett Formula' will be boosted to offer the Northern Irish, Scottish and Welsh devolved parliaments additional development funds.

His government will prioritise what he describes as *"high value investments"* that will improve productivity and introduce a new National Productivity Investment Fund of £23bn over the next five years to cater for *"innovation and infrastructure"*, particularly targeted at science and high-tech initiatives.

WELFARE PAYMENTS

The Chancellor said that no further welfare savings are planned, adding that the Universal Credit taper rate will be reduced to 63 pence from 65 pence to help about three million families.

HOUSING

The Chancellor declared that home ownership remains out of reach for far too many and will be addressed in a White Paper to be published *"in due course."* He confirmed his earlier statement that a £2.3bn Housing Infrastructure Fund will be created to free up new sites for housing development. He promised that 40,000 additional affordable houses will be built and announced the relaxation of government grants to assist housebuilding, together with the Right-to-Buy scheme being extended to housing association tenants. He will also double government capital spending on housing, in real terms, over the course of this parliament.

Importantly, he intends to ban fees charged to potential tenants of rented accommodation by letting agencies, passing this burden over to the landlords of the property.

REGIONAL FUNDING

The Local Growth Fund will allocate £1.8bn of funding via Local Enterprise Partnerships to the English regions. A series of City Deals were confirmed for locations elsewhere in the UK.

As his finale, the Chancellor declared that this would be his first and last Autumn Statement. Next year, he will abolish the tradition because the government intends to move to a single major fiscal event each autumn. The final springtime Budget will be delivered in 2017, which will also see the first autumn Budget.

He left the dispatch box with these words: *"We have set our course. We are a great nation. Bold in our vision. Confident in our strengths. And determined in our ambition to build a country that works for everyone."*

Time to top up your ISA?

If you're planning to save into your Individual Savings Account (ISA) this tax year, it's a good idea to put plans in place as early as possible. Contributing to your ISA earlier on in the tax year can have a positive effect on your investments. The longer your money is saved or invested, the more time it has to produce tax-free returns.

Savers can put a maximum of £15,240 into ISAs in the current 2016/17 tax year

ISA

£ 2016/17

15,240 *This allowance can be split between*

- **Stocks & Shares ISAs**
- **Cash ISAs (Including Help to Buy)**
- **Innovative Finance ISAs**

From 6 April 2017 the ISA allowance is set to increase to

£20,000

JISA

The Junior ISA Allowance is JISA £4,080 for the 2016/17 tax year

There are two types of Junior ISA:

- **Cash**
- **Stocks & Shares**

* Your child can have one or a combination of the two, up to the maximum allowance
* Your child can take control of the account when they are aged 16
* They can't withdraw the money until they turn 18

Help to Buy ISA

Help to Buy ISA **£2,400** 2016/17 tax year

* Help to Buy ISAs are designed to help first-time buyers save up for their home
* **£2,400** allowance for the 2016/17 tax year (plus initial deposit, if relevant, see below)
* The government will add 25% to your savings, up to a maximum of **£3,000** on savings of £12,000
* So for every **£200** you save, the government will contribute **£50**
* You can start off your ISA with an initial deposit of up to **£1,200** (including first months deposit of £200) which also qualifies for the 25% bonus)

ISA Timeline

1999
* ISAs introduced replacing TESSAs and PEPs
* **£7,000** allowance

2011
* JISAs introduced
* **£3,600** allowance

2014
* New ISAs introduced
* Permitting the allowance to be split between cash and stocks and shares ISAs

2016
* New flexibility rules introduced
* ISA holders able to withdraw funds from their ISA and replace them within the same tax year without loss of allowance

2017
* Lifetime ISAs (LISAs) introduced
* Aiming to help savers get on the property ladder or contribute toward their retirement savings (restrictions apply)

* ISA allowance increases to **£20,000**

The ISA deadline is **5 April 2017**

You only get one ISA allowance each year, so don't risk missing out on the valuable tax relief available

It is important to take professional advice before making any decision relating to your personal finances. Information within this newsletter is based on our current understanding of taxation and HMRC rules and can be subject to change in future. It does not provide individual tailored investment advice and is for guidance only. Some rules may vary in different parts of the UK; please ask for details. We cannot assume legal liability for any errors or omissions it might contain. Levels and bases of, and reliefs from taxation are those currently applying or proposed and are subject to change; their value depends on the individual circumstances of the investor.