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Budget sparks raft of April changes

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Reaction to Chancellor Philip Hammond's 2017 Spring Budget seems mixed.

Businesses, and small businesses in particular, have not welcomed the changes to National Insurance Contributions (NICs) for middle earners and dividends tax.

That and confirmation of further announcements to follow on North Sea oil taxation aside, it may seem like there is not a lot in this Budget to write about.

If, however, you take it together with measures announced in previous Budgets and Autumn Statements, there are a lot of changes due to kick in at the start of the new tax year in April.

New anti-avoidance measures are expected to net £145million this year – £10million of which will come from additional fines on professional introducers of failed schemes. Good.

The fuel duty freeze announced in the Autumn Statement of 2016 will cost the government £990million in 2017-18.

Among the measures to pay for this are the 2% increase in insurance premium tax (plus £520million), changes to NIC thresholds (plus £180million), curbing salary sacrifice schemes (plus £85million) and changes to the flat rate VAT scheme for "self-employed" contractors (plus £165million).

The previous Budget promised restrictions to corporation tax deductions for interest and finance payments (plus £1,105million) to prevent UK companies being saddled with more than their fair share of debt and also to loss relief for large companies (plus £495million). Stopping UK Government departments using "off payroll" self-employed contractors to avoid NICs will deliver another £185m.

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The Autumn Statement of 2015 introduced the real monster in the room – the Apprenticeship Levy for large employers, such as oil and gas operators, which is expected to raise £2.65billion in 2017-18.

Talk of the payments made by the oil industry being recycled into northeast businesses seems to have faded into the background.

This more than pays for the reduction in the headline rate of corporation tax to 19% in the current tax year (minus £2.28billion).

Changes made in 2014 and 2015 to Vehicle Excise Duty and company car tax are expected to raise an extra £175million and £200million respectively in the coming year.

Taken together with business rate increases, it seems clear that business will be paying more tax in future.

The chancellor's claim to be the champion of small business also rather ignores the restrictions on the personal allowance and relief for pension contributions which have been introduced since 2010.

If you lose your entitlement to both reliefs at once, then the marginal rate of income tax on the next £1 you earn could reach 90% (92% if you include Class 4 NICs).

The chancellor's main aim seems to have been to keep some money back for a rainy day – Brexit being the principal storm cloud on his horizon.

When the Bank of England casts its mind forward to the difference between a good and bad outcome over the next couple of decades the main conclusion is that the economy will continue to grow in all circumstances.

However, it seems to reckon there is about 8% of GDP (gross domestic product) to play for, or £220billion in today's money, depending on the outcome of the Brexit negotiations.

It's easy to understand why the chancellor might keep something back to pep things up a bit if it doesn't go well.

At Autumn Statement 2016, the government established a £23billion programme of high-value investment between 2017-18 and 2021-22, with a focus on priority areas that are critical for improving productivity: economic infrastructure, housing and research and development (R&D).

A review of the UK's R&D tax credits regime has found it is an effective and internationally competitive element of the government's support for innovation.

To further support investment, the government will make administrative changes to Research and Development Expenditure Credit to increase the certainty and simplicity around claims, and take action to improve awareness of R&D tax credits among small and medium-sized enterprises. That, at least, is good news.