Spring Budget 2017—views from the market

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Tax analysis: Views from leading tax practitioners on the Spring Budget 2017.

The Lexis®PSL Tax Consulting Editorial Board (CEB) and other leading tax practitioners provide us with their views on the Spring Budget delivered by the Chancellor on 8 March 2017.

For a summary and analysis of the key business tax announcements in the Spring Budget 2017, see: Spring Budget 2017—Tax analysis. **If you are not a LexisPSL Tax subscriber, you can take a free trial here**.

Spring Budget 2017 in overview

Bradley Phillips, Asset Management Tax Group, PwC and CEB member—For tax professionals, Budget Day can often be a mixture of surprise, excitement and hard work, advising clients of the changes and thinking about the implications for all the great tax advice given previously. Yesterday was different with very little that was surprising or requiring lots of immediate advice. I think we can all agree it was certainly not an exciting Budget.

David Wilson, Davis Polk & Wardwell LLP—A few interesting technical amendments have been announced, in particular to the rules limiting interest deductibility. However, there is not very much to write home about, and certainly nothing as significant to practitioners as some of the options put forward by the Office for Tax Simplification last week in their progress report on stamp duty simplification.

The Chancellor's speech referred to finding a better way, 'in the medium term', of taxing the digital part of the economy. This wasn't reflected in any of the Budget papers, but it will be interesting to see if this theme is picked up in the Autumn Budget.

How long until we also see an equivalent of employer National Insurance contributions (NICs) for the self-employed?

Jonathan Cooklin, Davis Polk & Wardwell LLP—The headlines will no doubt be about the increase in self-employed NICs, a well leaked measure which does seem curiously at odds with the Conservatives' support for entrepreneurs. And the proposed reduction in the dividend allowance from £5,000 to £2,000 will spawn plenty of planning, especially if you trust your spouse! I had thought that the £5,000 dividend allowance was intended to be the replacement of the dividend tax credit.

Tax avoidance remains a consistent theme. The long-standing rules on appropriations of capital assets to trading stock have unexpectedly been amended and, less surprisingly, the government has confirmed that measures targeting enablers of defeated tax avoidance schemes will apply after Royal Assent. Ostensibly not a very interesting Budget, but with an important underlying theme that seems destined to resurface.

Hilary Barclay, Macfarlanes LLP and CEB member—Obviously the big change is the increase in the rate of NICs for self-employed earners, which has not gone unnoticed by the likes of Ed Miliband (remember the 'jobs tax' debate from the 2015 general election campaign?).

Jeremy Cape, Squire Patton Boggs LLP—A fairly boring Budget from a tax point of view. The increase in the rate of Class 4 NICs is getting all the headlines, and rightly so: it's clearly in breach of a manifesto promise. The idea of the five-year 'tax lock' was quickly made up by the Conservatives during the 2015 election campaign. The implementing legislation in Finance Act 2015, however, fell some way short of meeting the promise not to raise NICs, as it only referred to Class 1 NICs. At a time when we need the tax system to be

stable, and trust in the policy upon which it is formed, we find ourselves in the midst of an avoidable political debate about politicians breaching their promises.

To make matters worse, it's possible that the changes to the VAT status of roaming charges will also become regarded as a breach of the Conservative manifesto pledge not to increase VAT although, again, it's not in breach of the tax lock legislation…that said, I'm told everyone uses WhatsApp by logging on to their hotel wifi these days, so the change may not raise as much as the government is hoping.

Roll on autumn when one might expect normal, more exciting, services to be resumed.

Alex Barnes, Memery Crystal LLP—A relatively uninteresting Budget from a corporate tax perspective, but not wholly unexpected in the current post-Brexit climate. With reasonable growth forecasts from the OBR, the Chancellor clearly doesn't want to make any drastic changes. As ever, he needs to raise further taxes and this time seems intent on doing so through the rates system (much to the frustration of big business), increasing tax for the self-employed and a continued clamp down on tax avoidance (no surprises there). The promotion of tax reliefs for research & development and entrepreneurs is to be welcomed and should help to promote the government's 'Britain open for business' policy and keep Britain at the forefront of new global technologies, which are increasingly becoming part of the backbone of the British economy.

Patrick Ford and Victoria E. Carpenter, Squire Patton Boggs LLP—The last Spring Budget was not, perhaps thankfully, one to write home about. There were no hats, let alone rabbits, in sight.

There were, however, as had been widely expected, some changes that focused on levelling the playing field in the tax treatment of employed and self-employed earners, including increasing the main rate of Class 4 NICs (by 1% in each of the next two years). In addition, there was confirmation of pre-announced measures affecting salary sacrifice arrangements, the treatment of termination payments and off-payroll working.

Eloise Walker, Pinsent Masons LLP and CEB member—This year's Spring Budget, as predicted, was about as exciting as watching a wet lettuce leaf dry slowly. There were very few new announcements to be seen, instead we received mostly just restatements of measures already proposed in 2016 or even 2015. Hidden among this wave of un-excitement, there were a few nuggets to be seen, but it was only a few. The widening of the double taxation treaty passport (DTTP) scheme will be welcome, as will some easing of the more egregious errors in the new interest deductibility restriction rules: the increase in self-employed NICs less so. I was mentally egging on the Chancellor to 'go on, scrap NICs altogether and increase income tax instead, you know you want to' but, alas, my brainwaves sadly failed to have the desired effect, so we continue on with a farcically complex system that pretends that such 'contributions' are not extra income tax, they are just to be paid by all citizens equally.

In honour of International Women's Day, however, I will end with this whimsical thought. As the Chancellor slowly sallied his way through his speech, his reference to the infamous 'tampon tax' made me think 'why "tampon tax"? why not Sanitary Towel Duties? That way, he could refer to STDs continuing to deliver revenue'. Alas, I doubt the idea will catch on….

Choice of business vehicle

Gerald Montagu, NGM Tax Law and CEB member—There was, sadly, no sign in the Budget of anything really radical to tackle the practical difficulties of distinguishing employment from self employment or to diminish the attractiveness of incorporation in a structurally efficient and targeted fashion. Instead, the self employed are to be subjected to their own version of the horror that is the disguised remuneration rules. This is the direction chosen by the government and HMRC notwithstanding that, later this year if the Supreme Court upholds the Court of Session's decision in *Murray Group Holdings Limited* [2015] CSIH 77, the common law underpinning the schedular system may be shown in many respects to be up to the task of tackling perceived abuses and doing so in a much more elegant fashion than the statutory monstrosities introduced in recent years and now proposed for the Finance Acts 2017 and 2018.

The 'very woolly thinking' lamented by the Institute of Fiscal Studies on the publication last month of its paper, 'Tax, legal form and the gig economy', seems still very much to hold sway at 100 Parliament Street. Although, to be fair to the government, it can as the IFS noted be a fiendishly difficult knot to unpick fairly. How

long, one wonders, or how big a bump in the road to Brexit, might it take for the Chancellor to return to these perceived anomalies by taxing profits retained by close companies, and not used for the purposes of a trade, as though they were the subject of a deemed dividend with all the difficulties that would entail?

If Mr Hammond sought, as he claimed to do, to take tax off the list of factors influencing a choice of business medium, he surely failed: and, in the absence of a more clearly enunciated policy rationale, succeeded in introducing yet further uncertainty into the minds of anyone trying to make a long term choice as to what business medium to adopt.

Graham Chase, Olswang LLP—Reductions in the corporate tax rate over many years have encouraged the use of service companies and business incorporation, with consequent opportunities to reduce taxes. There has also been a rise in self-employment. So it is difficult to be surprised by the proposed increase in NICs and reduction in the dividend exemption. But this is a difficult area. Leaving the politics to one side, it is usually wrong to equate business owners with employees in terms of the taxes that should be paid. There may be elements of 'salary', but there is also business risk and associated reward. I have no doubt that this will be much debated. I will not be surprised if, over the next few years, we see further increases and perhaps measures to restrict opportunities. In this respect I note that the treatment of image rights has been subject to criticism recently by the Public Accounts Committee and it was announced yesterday that new guidelines are to be published by HMRC in the spring.

Graham Muir, Nabarro LLP and CEB member—While the reduction in the annual dividend allowance from £5,000 to £2,000, which takes effect from 6 April 2018, applies across the board, it was clear from the Chancellor's speech that this is in large part aimed at the owner-managers of OMBs (who have traditionally chosen to take at least a portion of their profits by way of dividends on the shares they hold rather than remuneration for the work they do). This measure will reduce (but not eliminate) the tax advantage in doing so. It appears that HMRC are reviewing such arrangements increasingly closely, and it therefore seems possible that there will be an attempt at some point in the future to level the playing field further between the profits of owner-managers taken out by way of dividend and those taken out by way of salary.

National insurance contributions

Keith Gordon, Temple Tax Chambers and CEB member—The increase to Class 4 NICs was probably inevitable and might even be justified. However, the political fallout arising from the apparent breach of a manifesto promise might make what would ordinarily have been an easy-to-make stealth tax (and one previously adopted by governments of all political persuasions, and none) a very courageous move and one with wider repercussions. Indeed, Chancellors who stand up and announce that theirs is to be the last ever Spring Budget have a habit (100% record prior to this year) of being unavailable to give the first Autumn Budget later in the same year.

But more importantly, the Chancellor has had to grapple with certain rash promises made by his predecessor and he is slowly putting the tax system on a more sensible footing, which does not require him to appeal to the headlines with new whizzo ideas. Of course, the irony is that he ends up in the headlines for making unpopular moves instead. Perhaps that is just the nature of politics.

At least an increase to Class 4 NICs has the merits of relative simplicity. Do we really want the money to be raised by a new tax charge that no-one actually understands?

Graham Muir, Nabarro LLP and CEB member—In what was a relatively quiet Budget, focus fell on the Chancellor's concerns to introduce increased parity between the tax treatment of employed individuals and self-employed individuals. This has caused something of a furore from the SME and entrepreneurs sectors which benefit disproportionately from the beneficial tax treatment afforded to self-employment. Particular political capital is being made out of the perceived conflict between the proposed rise in the main rate of Class 4 NICs and the election pledge not to increase NICs.

With a view to reducing the advantage of self-employed status as against that of employment, Class 4 NICs will increase from 9% to 10% on 6 April 2018, and to 11% on 6 April 2019 (although these rises are partially offset by the abolition of Class 2 NICs from 6 April 2018). It remains to be seen whether this proposed change will make it to the statute book, but it seems likely that it will.

Employment taxes and share incentives

Graham Muir, Nabarro LLP and CEB member—The IR35 rules, as previously announced, are changing with effect from 6 April 2017 where an entity in the public sector engages the personal service company of the worker concerned, imposing on the public authority responsibility for determining whether IR35 applies and (effectively) where it does so, operating payroll deductions and bearing the cost of employer's NIC on the payments made to the personal service companies. It remains to be seen whether this presages a more wide-ranging change to the IR35 rules, passing these responsibilities and liabilities to the end client/customer even where that client/customer is in the private sector.

The tax regime applying to termination payments will, as previously announced, be overhauled with effect from 6 April 2018. However, following a period of consultation on the draft legislation published in December 2016 (which elicited some lively responses!), it has been decided to delay the legislation abolishing foreign service relief in this context, which will now be contained in the Finance Bill 2017–18, rather than Finance Bill 2017. The (less controversial) changes to salary sacrifice and cash alternative arrangements for benefits (so-called optional remuneration arrangements) will take effect, as previously announced, on 6 April 2017. No changes were announced in the Budget to the proposals but it is possible that there may be some minor concessions contained in the legislation to be published in Finance Bill 2017, which is expected on 20 March.

The Chancellor announced in Budget 2016 and the Autumn Statement a number of proposals to extend the scope of the disguised remuneration regime, in particular to:

- introduce a new close companies gateway
- apply the regime to all loans outstanding on 5 April 2019, whether or not made before the introduction of the regime in 2011
- restrict corporation tax relief for deductions made to disguised remuneration arrangements, and
- apply the regime to disguised remuneration arrangements involving self-employed individuals

All of these measures are going forward. The only significant change appears to be that the close companies gateway will only take effect from 6 April 2018, rather than 6 April 2017 as originally proposed.

On the employee share incentives front, the only significant news in the Budget is confirmation that the government will seek state aid approval of the enterprise management incentive (EMI) regime beyond the expiry of the current approval in April 2018. In view of the UK's decision to leave the European Union, this may have limited direct importance, but it has been viewed with relief by practitioners in the employee share incentives field as being an indication that the EMI regime will continue (in one form or another) following Brexit.

Personal taxes

Gerald Montagu, NGM Tax Law and CEB member—This time last year George Osborne announced a very significant structural change to the taxation of dividend income. The tax credit went, the overall tax burden on dividend income rose, and as part of the new dispensation those who had relatively modest savings in the form of shares held outside an ISA were to be given a £5,000 tax free allowance (£10,000 for a married couple: a not insubstantial amount in the context of the state pension). Philip Hammond’s decision to reduce the tax free allowance by 60% from 6 April 2018, in a quest to decrease the attractiveness of incorporation for the self-employed, rather pulls the rug from a deal which was presented so very recently as a progressive move to help hard-pressed savers while helping to plug the deficit.

We will have to await the publication of the Finance Bill to see quite how helpful the improvements to the life insurance chargeable events regime turn out to be. However, the announcement that there will be clarity as to who can apply, when they can do so and how any recalculation of the charge to tax is to take effect, suggests that real progress may have been made since the publication of the draft Finance Bill in December 2016.

Finance and corporate taxes

Gerald Montagu, NGM Tax Law and CEB member—Aspects of the interest restriction give rise to at least some hope that lessons learnt from the trials and tribulations that characterised the introduction of the debt cap in 2009 may now be being heeded. That, at least, is what hopefully lies behind the observation that 'certain unintended restrictions arising from the modified debt cap that could prevent deductions for carried forward interest expense will be removed'. Fingers crossed …. Also positive, and perhaps slightly surprising given the tone of the response document published on 26 January 2017, was the announcement that rules will be introduced for insurers regarding the calculation of interest on an amortised cost basis to provide a practical alternative to fair value accounting.

The decision to consult on the introduction of an exemption from withholding tax for interest paid in respect of securities traded on a multi-lateral trading facility is likely to be welcomed, as will the liberalisation of the DTTP scheme. There is, of course, a slight irony that a multilateral trading facility (MTF) is a child of MiFID, and that the new exemption, a perceived motivation for which is presumably a desire to help the private sector weather (or, depending on your taste, make a success of) Brexit, is likely to be barely on the statute book when Brexit occurs. The proposal to consult on the new exemption thereby shines a small light toward the rather bigger question of what the regulatory backdrop to that exemption will look like immediately after Brexit, without, of course, as yet leaving anybody any the wiser...

Hilary Barclay, Macfarlanes LLP and CEB member—There aren't any great surprises in the corporate tax field. That is just as well, given that Finance Bill 2017 is already jam-packed with changes.

On the financing side, the government has confirmed that it will renew and extend the DTTP scheme. This is good news, albeit long overdue as the government had promised a consultation response document last August. A consultation on a potential withholding tax exemption for debt traded on multilateral trading facilities is also on its way. Confirmation that the government will consider tax reliefs as part of the patient capital review announced in January is another welcome announcement.

The government has included in its measures a tweak to the new hybrids rules, to exclude deductions for amortisation from the regime. One suspects that this is just the start of a long process of tweaking the regime as its considerable breadth becomes clearer. The introduction of the new interest barrier regime has also been confirmed, but with a relaxation to the public infrastructure exemption: another regime that is likely to be tweaked for some time to come, just like the debt cap before it. While the government's ambitions in relation to the BEPS project are known, the logic behind rushing in extensive new legislation ahead of other jurisdictions with little (or no) time for business to adjust is not particularly apparent. The word 'competitive' crops up frequently in the tax sections of the Treasury policy paper. We will have to see whether saying it is enough for investors to believe it.

Mark Sheiham, Simmons & Simmons LLP—Spring Budget 2017 announced the introduction of a new withholding tax exemption for debt securities traded on an MTF, though little detail is available at this stage. The move appears to be part of the UK's wider efforts to develop the UK's wholesale debt securities markets and coincides with the London Stock Exchange's Budget Day announcement of a new International Securities Market (ISM), to be launched in Q2 2017. The new withholding tax exemption appears to be intended to sit alongside the existing Quoted Eurobond exemption for debt securities listed on a 'recognised stock exchange'.

The UK already has an existing MTF, the London Stock Exchange's Professional Securities Market (PSM), which qualifies as a recognised stock exchange and hence benefits from the Quoted Eurobond exemption from UK withholding tax. However, the PSM is increasingly infrequently used to list debt securities in practice: listing on the PSM is perceived as slower and more burdensome (and more demanding on disclosure) than listing on equivalent MTFs in Ireland (GEM) or Luxembourg (EuroMTF), which also qualify for the Quoted Eurobond exemption. Perhaps the key difference is that the PSM is overseen by the Financial Conduct Authority (FCA) (a regulator concerned primarily to maintain regulatory standards), whereas the Irish and Lux MTFs are overseen by their stock exchanges (effectively commercial bodies with a more customer-friendly approach).

Accordingly the creation of a new MTF exemption from UK withholding tax appears to be intended to enable the London Stock Exchange to establish a more successful MTF platform in the UK for trading wholesale debt securities: ie the proposed ISM. The new ISM will be an exchange-regulated market (like GEM and EuroMTF), to provide a more efficient and customer-centric listing process. However the ISM is not envisaged to involve listing the securities on the UK's official list maintained by the FCA (unlike the Irish and Lux exchanges which maintain their official lists themselves), so would not currently qualify for the Quoted Eurobond exemption (unlike GEM or EuroMTF). So the new MTF exemption from UK withholding tax is presumably intended to plug this gap, though more clarity should be available when the consultation document is published on 20 March 2017.

Martin Shah, Simmons & Simmons LLP—Although previous announcements concerning the reform of the substantial shareholdings exemption (SSE) were positive, a number of technical issues remained with the proposed changes to legislation. In Spring Budget 2017, the Chancellor signalled further amendments to come, to provide greater 'clarity and certainty' to taxpayers. The continued engagement on this issue is positive, although it is hoped that the revised SSE is not the end point, but rather a stepping stone to a broader participation exemption that would place the UK on a more equal footing with other jurisdictions.

Anne Fairpo, Temple Tax Chambers and CEB member—Not a lot happened for IP in any detail: we've been promised administrative changes to make it easier to claim R&D relief, but no detail (and no indication of any changes to the reliefs, just to the administration). There's also a comment that HMRC will publish updated guidelines on payments to employees relating to image rights but, again, no detail.

Private equity and funds

Bradley Phillips, Asset Management Tax Group, PwC and CEB member—Asset managers will be relieved that there are no new tax surprises for them following the very significant tax changes impacting them enacted over the past few years. The headlines scream of unfairness in relation to the NICs increases for the self-employed but asset managers (often self employed through LLP structures) rarely drive white vans and should be able to cope with these increases. Of more concern is the rhetoric that the self-employed should pay more, so it is possible there may be future increases that may impact them more significantly.

Another potential concern for the future will be the announced further consultation on changes to partnership taxation with legislation next year. These changes could adversely impact asset managers.

The confirmation that the UK substantial shareholding exemption changes are going ahead (with further amendments to the draft legislation to provide clarity and certainty) is good news in terms of structuring investments and it is also good news that the DTTP scheme is going to be extended. This will further help to simplify structuring investments into the UK.

Catherine Sear, Proskauer Rose LLP and CEB member—As widely predicted, this was not a particularly eventful Budget in terms of new announcements. Of particular interest for the private investment funds industry was the confirmation that the partnership taxation consultation is still in play, albeit the promised response document is delayed and changes to 'clarify and improve aspects of partnership taxation' will not be included in the upcoming Finance Bill, but rather in the Finance Bill which follows the 2017 Autumn Budget. Given the complexities surrounding some of the proposals in the consultation, particularly where investment partnerships are concerned, it is to be welcomed that the government did not rush headlong into legislating in this Finance Bill.

Also of note for private investment fund managers was the confirmation that the corporation tax carry forward loss restriction will go ahead. In certain cases, as originally proposed these rules could, without changes to structure, result in a manager of a partnership-based fund being effectively taxed twice on part of the management fee received. This would seem to be an unintended consequence. From the little information given in the Budget documents, there does not appear to be any specific relaxation of the rules for fund managers at this stage at least.

Lastly, the announcement on the extension of the DTTP was of interest from the point of view of ease of inbound investment, but investors such as private credit funds will have to watch this space and wait for the

revised guidance and terms for the DTTP to be published (on 6 April) to find out exactly which kind of non-UK lenders may now apply and to what kinds of UK borrowers the scheme will extend.

Stephen Pevsner, Proskauer Rose LLP—Apart from the furore surrounding the Class 4 NICs increase, the Budget was a generally low key affair. Having said that, it will be interesting to see whether the government takes further steps in the future to align employed and self-employed NICs and whether a further levy similar to employers' NICs creeps into the self-employed world. That could lead to significant changes to certain business models (such as the use of LLPs). To give the government credit, it was refreshing to see that they appear to have listened to industry concerns about the possible unintended consequences of the proposed disguised remuneration close company gateway, and delayed the introduction of those rules pending further consultation.

Hopefully the delay in publishing the response to the partnership tax reform consultation will result in a similar recognition that this has to be dealt with delicately and proportionately, to avoid unintended consequences that might make UK partnerships less attractive vehicles for investment in the future. Finally, even though the Budget itself hasn't produced much new legislation, there is of course plenty of work for companies to do (and law for advisers to digest) with the 1 April introduction of the interest deduction restriction and carry forward loss rules, and it is a shame that the government didn't take the opportunity to delay and reconsider the detail and complexity of those rules.

Ceinwen Rees, Debevoise & Plimpton LLP—For the funds industry, the past few years have seen unprecedented change arising out of Budget date announcements. Yesterday's Budget was therefore a welcome change. That said, we await the clarifications on the taxation of partnerships with interest and, following the Chancellor's observation that 'many of our most highly-paid professionals work through limited liability partnerships and are treated as self-employed', perhaps a little trepidation.

Real estate and stamp taxes

Robert Langston, Saffery Champness—Legislation was introduced in Finance Act 2016 and UK double tax treaties (with Jersey, Guernsey and the Isle of Man) were amended so that trading profits which arise from property development are subject to UK tax even where a non-resident has no permanent establishment in the UK. This legislation applied with effect from 16 March 2016 but did not apply to contracts entered into before that date.

An amendment will now be made to the legislation so that any profits are taxed if they arise after 8 March 2017 regardless of when the contract was entered into.

It is not uncommon (particularly with large residential developments) for a contract with a house builder to span a number of years. This allows the house builder (say) to acquire parcels of land as they are required to meet demand. For accounting and tax purposes, the contract is recognised when it is signed, but with profits amortised over the term of the contract. For non-residents, these future profits will now be subject to UK tax, which could significantly affect the return to investors. As the contract would already have been signed, there is little that the non-resident developer will be able to do about this problem.

Nick Cronkshaw, Simmons & Simmons LLP—Finance Act 2016 brought into the charge to UK corporation tax or income tax all profits from dealing in or developing UK land, irrespective of the residence of the person making the disposal. This was intended to place all developers of UK land on an equal footing for tax purposes, irrespective of whether the developer was resident in the UK or elsewhere. In fact, some profits from long term development contracts entered into before 5 July 2016 are still not within the new charge. As a result, the Chancellor announced that Finance Bill 2017 will bring into the charge to UK corporation tax or income tax all profits from dealing in or developing UK land that are recognised in the accounts on or after 8 March 2017, even if the contract for disposal was entered into before 5 July 2016.

More generally, this is merely part of a move to widen the UK tax base, including the recent imposition of non-resident CGT on UK residential property. Whether the proposals to bring non-resident companies without a UK permanent establishment within the charge to UK corporation tax will equally widen the UK tax base by, for example, bringing capital gains on UK commercial property within the charge to corporation tax, or simply amounts to a largely administrative change, remains unclear at this stage.

Liz Wilson, Squire Patton Boggs LLP—Given the seismic changes announced in recent years, this Budget was refreshingly light on real estate taxation reform. That said, important changes were announced in a number of areas. These included:

- the tax treatment of offshore profits arising in respect of dealing in or developing UK land
- a delay to the proposal to reduce (from 30 to 14 days) the SDLT filing and payment window
- new rules that restrict the ability to convert a reduction in the capital value of an asset into a trading loss, and
- the ability to make elections in respect of non-ATED-related losses

Craig Leslie, Siobhan Mossop and Steve Horncastle, EY LLP—There is very little to report in the way of stamp taxes content in the Spring Budget. There is some good news: the government has decided to delay its introduction of a tighter deadline for the SDLT filing and payment process. Last year, the government suggested a 14-day filing and payment period (reduced from the current 30 days) could come in as early as January 2018, but the decision has now been made to hold off until after April 2018. This delay could be a response to concerns flagged by industry, especially concerns around 14 days being insufficient where complex property transactions or SDLT deferral applications are involved. We await confirmation as to whether any of the other potential ideas for changing the SDLT processing procedure (including mandatory online filing and mandatory electronic payments for agents) will be similarly delayed or even abandoned.

The Budget did not introduce any other significant changes to the stamp taxes regime. We know that the Office of Tax Simplification is continuing its review of stamp duty on share transactions and has published a progress report, coupled with a call for evidence. Although there is real optimism amongst stamp tax practitioners that this review will result in improvements to the stamp duty regime, we await further clarity as to the extent of any overhaul of the system and the anticipated timing.

Graham Chase, Olswang LLP—There was only one SDLT announcement, to the effect that the reduction in the filing and payment window from 30 to 14 days is being delayed until after April 2018. That is welcome. There had been speculation that SDLT rates for residential property might be reduced, given widespread criticism. Unfortunately not, but hopefully reductions (and simplification) will be considered in a future Budget.

Loss relief reform and restrictions on interest deductions are both going ahead as planned, with effect from April 2017. These are complex rules and it will take time to fully understand the effects, including the impact for borrowers on their financial covenant obligations. It is proposed that these limitations will be extended in due course to non-UK companies and residents who are income tax payers or subject to non-resident CGT. The most obvious category here comprises offshore investors in UK real estate, where investment is typically geared. Consultation details are awaited, any such changes could have significant effects.

Indirect taxes

Andrew Rimmer, BVC Associates Ltd—Regarding VAT, the Spring Budget is all about providing HMRC with more powers to combat what they perceive as avoidance. The Chancellor took the opportunity on behalf of HMRC to threaten more penalties for attempting to avoid VAT, this time for 'enablers' of the avoidance. Allied to this, the regime for the disclosure of indirect tax avoidance will be strengthened. There will also be a new penalty for participating in a VAT fraud.

The government will legislate in Finance Bill 2017 for the fulfilment house due diligence scheme (FHDDS), which will require all UK fulfilment houses to register with HMRC from 1 April 2018 and comply with record-keeping and due diligence standards. The FHDDS is designed to capture VAT on goods bought by UK persons from overseas suppliers. HMRC says that the scheme will protect revenue and level the playing-field for legitimate UK businesses. As part of this strategy, HMRC is to review the methods of accounting for VAT on on-line sales by utilising technology to allow VAT to be extracted directly from transactions at the point of purchase. This is referred to as 'split payment'.

On the same theme, the current ‘dispensation’ that no VAT is accounted for on mobile roaming charges where the calls are 'used and enjoyed' outside the EU is to be ended. Secondary legislation to effect the change together with a TIIN will be published before Parliament’s summer recess.

Targeted anti-avoidance will be introduced to labour providers in the construction industry. Options include a VAT reverse charge mechanism so the recipient accounts for VAT.

Finally, the annual revalorisation of the VAT registration and deregistration limits to £85,000 and £83,000 takes effect from 1 April 2017.

Tax avoidance

David Milne, Pump Court Tax Chambers and CEB member—As has become the norm, the Spring Budget contains almost no tax measures that have not been consulted on already. Probably of most interest to tax professionals is the POTAS legislation, which ought to put a final end to the promotion and sale of off-the-peg tax avoidance schemes. Almost no such schemes have succeeded in the Courts in the last few years, so there must be very few still being sold except to the unwary. These measures should deal the final blow to promoters.

Gideon Sanitt, Macfarlanes LLP—It is interesting that one of the news stories of the Budget is that penalties for those who enable tax avoidance will be going ahead. Given that these provisions were proposed last summer and were detailed in the Autumn Statement this should not be news. The current reaction may be a measure of the disquiet the rules have generated. While some of the sharper edges have been smoothed over since they were first proposed and HMRC emphasise that they have consulted extensively, to a large degree HMRC have not changed their course. Most would have some sympathy with HMRC's view: poor practice from those who should be serving clients better is damaging to everyone, and if this has the effect of raising standards then that is welcome. The concern is whether these rules will suppress the provision of legitimate advice. The fact that they so readily assume that advice is tainted as a result of 'non-independence' is somewhat startling and a mark of the suspicion with which HMRC sometimes regard advisors and intermediaries.

The rules also reflect a consistent theme from HMRC of taking on the role of a regulator, by effectively focusing on changing behaviour. Much of this focus has been on large businesses and this looks set to continue with HMRC's announcement of a large business risk review. HMRC will be consulting over the summer on the process for risk profiling large businesses. It is telling that HMRC expressly state that the purpose of this consultation is to consider how HMRC can promote stronger compliance. Given that businesses can be protective of their risk profile, HMRC may see this as an effective way of regulating behaviour and they may well be right.

Pensions tax

Matthew Giles, Squire Patton Boggs LLP—The pensions industry can breathe a sigh of relief after the Spring Budget passed by with very little change to concern it.

The only mentions of pensions (and some of these were in the accompanying briefing papers rather than the speech itself) were:

- a 25% charge on transfers to overseas pension plans (QROPS) effective immediately (exceptions will apply)
- confirmation of the reduction in the money purchase annual allowance to £4,000 from 6 April 2017 (previously announced in the Autumn Statement 2016)
- the tax registration process for master trusts will be amended so it is aligned with the Pensions Regulator’s authorisation process

The Budget is perhaps most notable for what it did not include. Thankfully, the Chancellor avoided a potential pensions and social care banana skin. It was widely trailed that extra investment would be found for social care and also that there could be further reductions in the tax relief available for pension saving. It is pleasing that Mr Hammond proceeded with the former and not the latter. To have moved forward with both polices would have been logically flawed. Encouraging workers to save into pensions is about giving them financial independence and security in retirement. Someone with a decent pension is best placed to self-finance any

social care needs that they may have in later life. Discouraging pension saving would have resulted in more individuals becoming more reliant on the state during retirement which would in turn have increased the government's social care bill. It is reassuring that, at least for now, pension tax relief is largely untouched. However, many pundits suggest that the Chancellor sees this as having been an interim Budget and he is holding back the big changes for the first of his Autumn Budgets later this year.

Oil and gas tax

Phil Greatrex, CW Energy LLP—The main new Budget announcement on oil and gas is that there is to be a further review of late life assets. A Treasury discussion document is to be issued on 20 March and it is anticipated that further consultation with interested parties will take place over the following months.

An advisory panel of experts is to be set up which is to be tasked with reporting, by the time of the Autumn Budget, their conclusions on any measures that they believe need to be taken in the future to break down perceived barriers to transfers of assets in the UK continental shelf (UKCS).

One of the key points that it is understood will be debated is the transfer of corporation tax capacity on asset sales, to assist new players to acquire assets without sellers having to retain decommissioning obligations. Although HMRC confirmed at the time of last year's Budget that from a corporation tax point of view it is not necessary to stay on a licence for relief for abandonment to be available, and it is clear that a number of transactions have been carried out which intend to take advantage of this, the ability to transfer capacity would provide additional commercial options.

It is understood that there is no specific timetable for introducing any changes as a result of the review, and that this will depend in part on the responses received, but any measures which will facilitate the transfer of assets are to be welcomed.

In addition to the corporation tax issues it is hoped that the current restrictive rules for petroleum revenue tax (PRT) relief will also be addressed.

The long awaited statutory instrument extending the investment and cluster (but not the onshore) allowance regimes to cover certain operating and leasing costs has finally been laid before Parliament. It is understood to be broadly the same as the draft last seen by industry over a year ago, and provides for the changes to be backdated to 8 October 2015 as had previously been understood. It does not deal with tariffing income. The introduction of these rules is to be welcomed and companies that have incurred relevant costs in 2015 will need to file revised returns if they have not already assumed the relief in filing their 2015 returns. It is understood that the Treasury is still committed to extending the categories of income that can activate the scope of the allowance to cover tariffing and that they will publish a draft statutory instrument in the near future, which should contain a provision for any new rules to be backdated to 8 October 2015.

As previously announced, Finance Bill 2017 will contain provisions amending the PRT opt-out rules such that fields no longer have to satisfy the requirement that they are not expected to have taxable profits. The provision will apply to chargeable periods beginning on or after 1 January 2017 but only if an opt-out election has been made by the responsible person before the start of the chargeable period. These rules are being introduced in conjunction with the reduction in the reporting requirements for those fields remaining within the regime (these were previously introduced and did not require legislative change). Going forward, it is likely that only fields where the partners agree that there is no possibility of any future PRT repayments or the creation of an 'unrelievable field loss' will opt out. Others will continue to file returns and the simplifications introduced are welcome.