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Autumn Statement – £122 billion – the cost of Brexit?

What a difference a year makes! It is amazing to think that just twelve months ago we were listening to a bullish statement from Chancellor George Osborne (his first in a Conservative government), about how the deficit would be turned around to a £10 billion surplus by 2019-20. One year on, post Brexit, a more divided UK and with Donald Trump as President Elect, the world is a very different place.

Chancellor Philip Hammond delivered a much gloomier verdict on the state of the public finances and announced that the economy was expected to be worse off to the tune of £122 billion by 2021 – the cost of Brexit according to some commentators. Much of the recent economic and press coverage had focussed on so-called 'JAMS' (Just-About-Managing). On this evidence there seemed to be precious little jam to spread around.

Particularly of interest from a dental perspective was:

Employing staff will cost more

Two changes likely to affect almost all practitioners who are employers are the alignment of employer and employee thresholds for National Insurance Contributions and the increase in the National Living Wage, both of which will take effect from April 2017 and increase the costs of employment. The National Insurance thresholds have not been devolved *at the time of writing*.

A further change announced will impact any dental practices currently operating a salary sacrifice scheme for their employees. In effect, with limited exceptions (pensions (including advice), childcare, cycle to work and ultra low emission vehicles (ULEVs)), the tax treatment of benefits under those schemes affected (for example, gym club membership) will be equalised so that the current advantages of such schemes will be removed. Arrangements in place before April 2017 will be protected until April 2018, while arrangements for cars, accommodation and school fees will be protected until April 2021. This could be seen as tightening up of what many perceived to be a loophole.

Continuity

The Chancellor confirmed that he would adhere to the previously announced staged reductions in the rate of Corporation Tax from the current 20% to 17% by 2020 but was clearly not prepared to go further than that as some commentators had urged in the wake of Brexit. His announcement at least gives certainty to those principals who have already incorporated.

The basic, higher and additional rates of SRIT were confirmed at 20%, 40% and 45% in an announcement by the Scottish Government in February 2016.

The Scottish Government has vowed to freeze the higher rate threshold in real terms and increase it only in line with CPI inflation in 2017/18 and by no more than inflation until 2021/22. This means that the SRIT higher-rate threshold for 2017/18 is likely to be £43,387 compared with £45,000 for the rest of the UK. This equates to an additional £645.20 in income tax terms for 2017/18.

Charles Linaker, Tax Partner at NASDAL member UNW said, "One could view this as a 'steady-as-she-goes' Autumn Statement from a Chancellor keener on the figures than grand political gestures. I was interested to see that there was no mention of Making Tax Digital¹ – announced a year ago by his predecessor, and which, if and when implemented, will have a major impact on how dental practices interact with HMRC; initially for sole principals and partnerships and ultimately for incorporated practices also. (There was an announcement saying that the various MTD consultations would be responded to in week commencing 30th January 2017.) This may have been because the consultation period for responses only ended earlier this month but there will undoubtedly be further developments on this front over the next few weeks leading up to next Spring's Budget."

Scott Hallesy, Tax Strategist at NASDAL member Condives, added, "As part of devolved powers, the basic, higher and additional rate thresholds will be confirmed when the Scottish government sets them out at the Scottish Budget on Thursday 15th December 2016. Now more than ever, the advice of specialists is key."

¹https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/484668/making-tax-digital.pdf

ENDS

Note to editors:

NASDAL, the National Association of Specialist Dental Accountants and Lawyers, was set up in 1998. It is an association of accountants and lawyers who specialise in acting for and looking after the accounting, tax and legal affairs of dentists. It is the pre-eminent centre of excellence for accounting, tax and legal matters concerning dentists. Its members are required to pass strict admission criteria, and it regulates the performance of its members to ensure high standards of technical knowledge and service.

Images are available of the NASDAL Chairman and NASDAL team.

Nick Ledingham, the Chairman of NASDAL, is available for interview. To organise to speak to him or any other members of NASDAL for more information please contact Chris Baker on 07947 470896.