



For immediate release: Wednesday 23<sup>rd</sup> November 2016

### **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 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. Many NASDAL clients already pay their staff members more than the National Living Wage but those who don't need to consider this.

A further change announced will impact any dental practices currently operating a salary sacrifice scheme for their employees. In effect, with limited exceptions such as pension contributions and childcare, the tax treatment of benefits under these schemes (for example, gym club membership) will be equalised so that the current advantages of such schemes will be removed. 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 and those contemplating incorporation.

He also confirmed that the tax free personal allowance would be raised to £11,500 for tax year 2017/18 and that this would continue to rise to a target figure of £12,500 by the end of this Parliament; and similarly that he would maintain the objective of raising the threshold for the higher rate of 40% income tax to £45,000 for tax year 2017/18 and ultimately to £50,000 on the same timescale.

While this is welcome news, the highest rate of 45% remains in place above the limit of £150,000 and it is worth reiterating that those dentists with incomes above £100,000 will continue to find that their personal allowances are clawed back at the rate of £2 for every £1 in excess of that limit, so that in 2017/18 for example, the “effective tax rate” of 60% will still apply to any income falling between £100,000 and £123,000.

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 Digital<sup>1</sup> – 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. 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.”<sup>1</sup>

Nick Ledingham, Chairman of NASDAL and a partner in specialist dental accountants Morris and Co, added, “Philip Hammond seems to have mixed continuity with change, reflecting the new circumstances confronting Mrs May’s Government. Now more than ever, the advice of specialists is key.”

<sup>1</sup>[https://www.gov.uk/government/uploads/system/uploads/attachment\\_data/file/484668/making-tax-digital.pdf](https://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.