



House Building a number one priority

“building new homes and sustained improvement in housing affordability to tackle the housing crisis”

Stamp Duty for First Time Buyers

First-time buyers of homes below £500,000 will not pay any stamp duty on the first £300,000. They will pay the normal rates of stamp duty on any amounts above the first £300,000.

300,000 new homes to be built

The Budget announced a comprehensive package of new policy which aims to raise housing supply by 300,000 houses per year and has pledged £44 billion over the next 5 years.

Inside this issue

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Budget Overview

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Business Taxation

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Tacking the housing crisis

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Technology and Education

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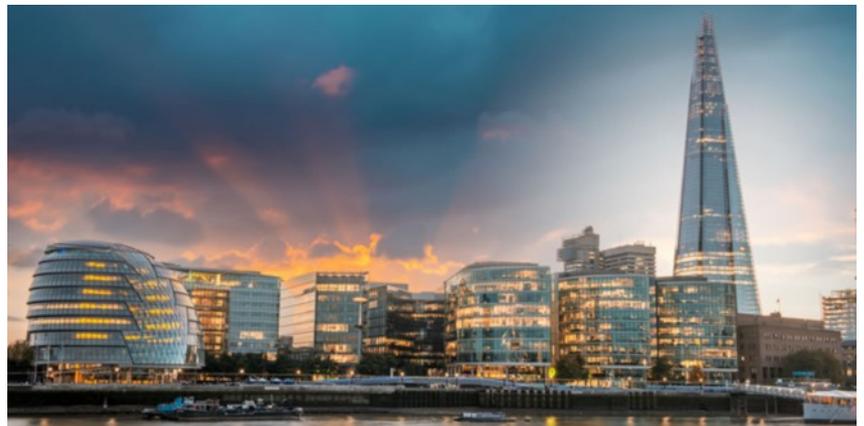
Other Measures

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Welcome to the autumn edition of our quarterly client newsletter, which provides topical financial articles.

Please let us know if you'd like to discuss your financial situation or would like to find out more about our services.

Whatever your financial need, we are always pleased to speak with you.



UK Budget Overview

November 2017



A Budget that builds an economy fit for the future

Philip Hammond has delivered his second Budget as Chancellor.

The Budget talked of: “preparation for supporting families and business in the near term; setting a path to a prosperous, more open Britain and building an economy that is fit for the future.

A demonstration of the government’s commitment to a balanced approach to managing the public finances and supporting key public services.

That by investing in the future, the Budget aimed to ensure that every generation could look forward to a better standard of living than the one before and ensures young people have the skills they need to get on in life.”

It also talked of backing the innovators who deliver growth, helping businesses to create better, higher paid jobs and build the homes the country needs.

Economy

The Chancellor Philip Hammond said that the UK economy has demonstrated its resilience over the past 18 months. Gross domestic product (GDP) growth has remained solid – extending the period of continuous growth to 19 quarters. Employment has risen by 3 million since 2010 and is close to its record high, and unemployment is at its lowest rate since 1975. The increase in employment has supported prosperity across the country and income inequality is at its lowest level in 30 years.

Growth

GDP growth in 2017 has been revised down to 1.5%, reflecting weaker growth than expected at

the start of the year and the Office for National Statistics (ONS’s) revisions to GDP in 2016. The Office for Budget Responsibility (OBR) forecasts slower growth to continue into 2018 and 2019 with GDP growth of 1.4% and 1.3% respectively, before rising to 1.6% at the end of the forecast period. Lower forecast GDP growth also reflects the Office for Budget Responsibility’s latest population projections, with annual net migration lower by around 20,000; this reduces the level of GDP by approximately 0.2% by 2022.

Public finances

Mr Hammond also mentioned that the government had made significant progress since 2010 in restoring the public finances to health. The deficit has been reduced by three quarters from a post-war high of 9.9% of GDP in 2009-10 to 2.3% in 2016-17, its lowest level since before the financial crisis.

UK second-fastest growing economy in the G7 in 2016

Growth forecast for 2017 upgraded from 1.4% to 2%

But GDP downgraded to 1.6%, 1.7%, 1.9% in subsequent years, then 2% in 2021-22

Annual rate of inflation forecast to rise from 2.3% to 2.4% in 2017-18 before falling to 2.3% and 2.0% in subsequent years

A further 650,000 people expected to be in employment by 2021

Personal taxation, savings and pensions

The Chancellor increased both the personal allowance and the higher rate threshold by 3% – the standard inflation-linked increase.

Individual savings accounts (ISAs) and lifetime ISA investment limits were frozen. There was an increase in the pension lifetime allowance (the first since 2010) but no change to the pension annual allowance.

Income Tax

The personal allowance, the first slice of your income, on which no tax is due, will rise from £11,500 to £11,850 in April 2018.

The threshold at which the higher rate of tax of 40% applies will rise from £45,000 to £46,350 at the same time. As a result the average taxpayer will pay at least £1,075 less tax than in 2010-11, Mr Hammond said.

National Insurance Contributions (NICs)

The government will delay the implementation of the NIC reforms by one year as previously announced.

Consequently, Class 2 NICs will continue to be payable in 2018/19 and the government will no longer proceed with an increase to the main rate of Class 4 NICs from 9% to 10% in April 2018, and to 11% in April 2019.

Individual savings account (Isa) allowances

The annual Isa subscription limit for 2018-19 will remain unchanged at £20,000. However, the annual limit for Junior Isas and child trust funds for 2018-19 will be increased in line with the consumer price index to £4,260.

Lifetime allowance for pensions

The pension lifetime allowance (LTA) is the overall amount of pension savings that you can have at retirement without incurring tax charges. The Budget said “The lifetime allowance for pension savings will increase with the consumer price index, rising to £1,030,000 for 2018-2019.”

Pension Annual Allowance

The annual allowance is a limit on the amount that can be contributed to your pension each year, while still receiving tax relief. It's based on your earnings for the year and is still capped at £40,000 for April 2018-2019.



Business Taxation

Tax free allowance on share dividends

From April 2018, the total amount of dividends that company directors and shareholders can receive tax-free will fall from £5,000 to £2,000.

It means a basic rate tax payer who receives £5,000 in dividends will have to pay an extra £225 tax from April 2018. A higher rate tax payer will pay an extra £975.

VAT to remain the same

In another boost for small business and the self-employed, Mr Hammond has kept the VAT registration threshold at £85,000 for the next two years.

Pubs and small businesses to receive extra help with business rates

Pubs with rateable value of less than £100,000 to get a one-year £1,000 discount on rates they would have paid.

Staircase tax

Firms faced a bill of £5,000 a year if their offices have more than one floor under a bizarre loophole in the law. But in his Budget today, the Chancellor revealed that no company will have to pay more in business rates because it occupies multiple stories.

Research and development (R&D)

The rate of the tax credit for R&D expenditure will rise from 11% to 12% from 1 January 2018. A new advance clearance service will be piloted for claims for R&D expenditure credit, to provide pre-filing agreement for three years.

Capital Taxation

Capital gains tax (CGT)

The annual exempt amount for individuals and personal representatives will rise to £11,700 for 2018/19, while the amount for most trustees will increase to £5,850 (minimum £1,170).

Capital gains tax payment window

The introduction of the 30-day payment window between a capital gain arising on a residential property and the payment of the relevant CGT will be deferred until April 2020.

Inheritance tax

The inheritance tax nil rate band remains at £325,000 for April 2018/19. The residence nil rate band will increase to £125,000 from 6 April 2018.



Tackling the housing crisis

The government said it is determined to fix the broken housing market and restore the dream of home ownership for a new generation.

Abolishing stamp duty for first time buyers

First-time buyers of homes below £500,000 will not pay stamp duty on the first £300,000 as from immediate effect. They will pay the normal rates of stamp duty on the price above £300,000.

The Budget also re-confirmed that, where measures are essential to make a building fire safe, the government will make sure that current restrictions on the use of local authority financial resources will not prevent them going ahead.

Building 300,000 new houses each year

The Chancellor aims to boost house building by pledging £44 billion over 5 years to provide funding, loans and guarantees.

The Budget announced a comprehensive package of new policy which will raise housing supply by the end of this Parliament to its highest level since 1970, on track to reach 300,000 per year.

Houses to be built faster

The government will set up a review panel, chaired by Sir Oliver Letwin, to explain the significant gap between the time planning permission is granted and houses are being built and make recommendations for closing it.

The review will provide an interim report in time for Spring Statement 2018 and a full report at Budget 2018.

The government plans to strengthen the ability of the Homes and Communities Agency (to be renamed Homes England) to use investment and planning powers to intervene more actively in the land market.

Support for renters

Longer tenancies – The government will consult on the barriers to landlords offering longer, more secure tenancies to those tenants who want them.

Safety

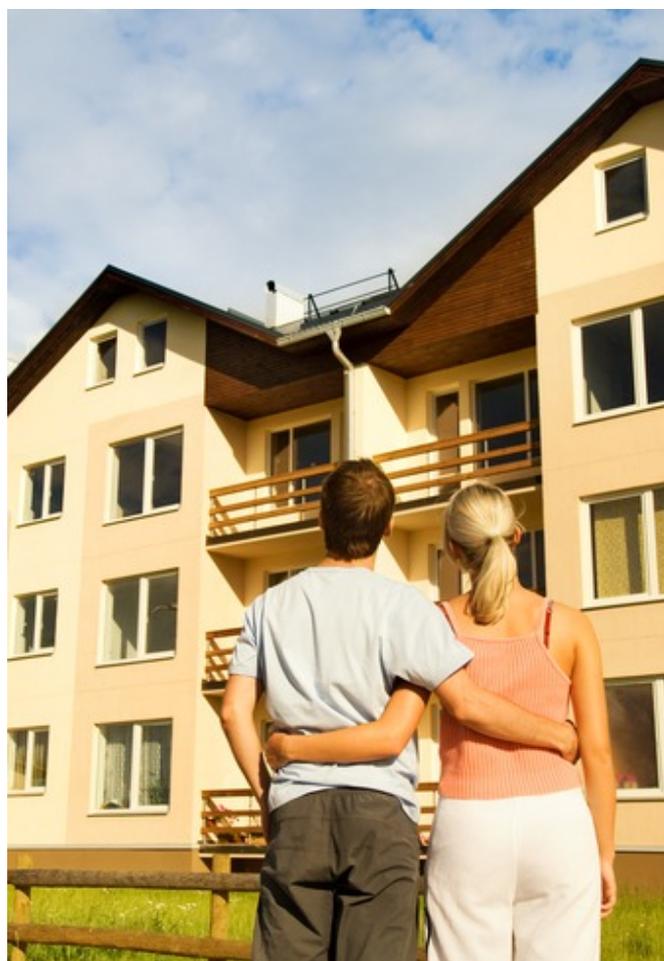
Following the tragedy at Grenfell Tower, the government has pledged £28 million for mental health services and local regeneration for Kensington and Chelsea council.

Empty Properties

The government said it is keen to encourage owners of empty homes to bring their properties back into use. To help achieve this, local authorities will be able to increase the council tax premium from 50% to 100%.

Homelessness

The Budget set out the government's first steps towards its commitment to halve rough sleeping by 2022, and to eliminate it by 2027, including the launch of the Homelessness Reduction Taskforce, which will develop a cross-government strategy to work towards this commitment.



Technology and Education

Driverless Cars

The Government will spend £400 million on a new charging-infrastructure fund, an extra £100 million on the plug-in vehicle grant and £40 million for research into charging.

The technology and automotive companies that are looking to bring driverless vehicles to the roads backed the plan, arguing that it is about to completely change the way that vehicles make their way around the streets.

The Chancellor also announced a range of taxes designed at encouraging people to buy more environmentally friendly vehicles.

Cash for maths and science teaching

£40 million has been allocated to train maths teachers across the country and a "Maths Premium" for schools, giving them £600 for every additional pupil who takes A level or Core maths.

The chancellor also pledged to boost digital skills, including tripling the number of trained computer science teachers to 12,000. "A new tech business is founded in Britain every hour, and I want that to be every half hour," said Mr Hammond.

Teachers at schools in the worst-performing areas are also to receive £1,000 career development grants to improve standards and close the productivity gap with other economies.

Research and Development

The Budget committed up to £20 million over 3 years, starting in 2018-2019, of R&D Northern Powerhouse Investment Fund (NPIF) funding for a GovTech Fund.

Public bodies will be able to access this fund to support procurement of innovative products through the Small Business Research Initiative (SBRI), run by Innovate UK.

Chancellor Philip Hammond said he wanted to secure Britain's position as a world leader in technology and innovation as he delivered his Budget.

It included more money for artificial intelligence and the development of 5G networks.

There will also be funding to put driverless cars on UK roads by 2021.

Tech spending highlights

£500 million in a range of initiatives from Artificial Intelligence, to 5G and full fibre broadband

£400 million for charging infrastructure

£40 million in charging Research and Development

£220 million Clean Air Fund

£100 million for an additional 8,000 fully qualified computer science teachers supported by a new National Centre for Computing

A retraining partnership with the TUC and the CBI to boost digital skills in the workforce



Other Measures

Transport priorities and the Northern Powerhouse

Mr Hammond said that the government will back the Northern Powerhouse, the Midlands Engine and elected mayors across the UK with a new £1.7 billion Transforming Cities Fund. The Transforming Cities Fund will pay for local transport schemes. Half the money will go to the six areas with elected metro mayors, including the West Midlands, while cities across England will be invited to bid for the rest.

£300 million is to be invested to ensure HS2 infrastructure can accommodate future Northern Powerhouse and Midlands Engine rail improvements.

£30 million is to be provided to trial new solutions to improve mobile and digital connectivity on trains, on the TransPennine route.

Also announced: £123 million is to be invested in the Redcar Steelworks site.

Young Person's Railcard extended to 26-30-year-olds

The government has said people up to 30 years-old will be able to buy a £30 Railcard for discounted train travel from next spring - an extension of the current young person's Railcard for those aged 16 to 25.

More cash for the NHS

An extra £2.8 billion for the NHS in England was announced.

It includes £350 million immediately, to allow trusts to plan for this winter, and £1.6 billion in 2018-2019, with the balance in 2019-2020. £10 billion in capital would be spent preparing the NHS for the future.

The National Living Wage

The National Living Wage will rise 4.4% in April 2018 from £7.50 an hour to £7.83.

Clean air fund

Chancellor Philip Hammond revealed plans in his Autumn Budget 2017 to cut air pollution, by investing an extra £220 million in the Clean Air Fund.

Student Loans

Repayment Threshold is to increase to £25,000 in April 2018-19 and index with average earnings thereafter.



Other Measures

Improving Universal Credit

The Chancellor announced measures to try to stop people getting into debt when they start receiving Universal Credit, a new benefit. The problem is that they have to wait six weeks for their first payment. In some cases, that means people can't pay their rent and get into arrears.

Mr Hammond said the Government would remove the seven day waiting period applied at the beginning of a benefit claim - which basically means cutting the wait from six weeks to five.

£1.5 billion package was announced to address concerns about the delivery of the universal credit benefit.

Another £3 billion on preparing for Brexit

An extra £3 billion for Brexit preparations - on top of the £700 million already allocated. The Chancellor said the Government would make getting a deal with the EU a top priority.

Diesel cars

From April 2018, the first year vehicle excise duty rate for diesel cars that don't meet the latest standards will go up by one band, funding a new £220 million Clean Air Fund - but the hike in tax will not apply to vans.

Alcohol

No increases in alcohol or tobacco duties on top of those previously announced.

Duty on beer, cider, wine and spirits will increase in line with Retail Price Index inflation

This will equate to 2p on a pint of beer, 1p on a pint of cider, 36p on a bottle of whisky and 32p on a bottle of gin.

Tobacco

A new minimum excise duty on cigarettes based on a packet price of £7.35.

Tobacco will rise by 2% above Retail Price Index inflation, with a packet of 20 cigarettes costing 35p more.

Fuel duty

Fuel duty frozen for a further year.

Vehicle duty

Vehicle excise duty rates for hauliers and the HGV Road User Levy frozen for another year.



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