

### Chancellor takes pragmatic approach

*EQ looks at the headline changes announced by the new Chancellor, Philip Hammond in his first and, as it turns out, last Autumn Statement.*

#### Breakthrough for Social Investment Tax Relief (SITR)

We've long been champions of SITR and social investment. It's been a long-time coming, but finally a significant step forward has been made with plans in place to increase investments into an SITR-qualifying social enterprise to £1.5m from April 2017. SITR was introduced in April 2014 and allows individual investors 30% tax relief on loans or equity investment made into social enterprises and charities. Previously, investment was limited to around the £300,000 mark.

#### Money Purchase Annual Allowance reduction

If you accessed your pension flexibly after April 2015, you are limited as to the amount of money you can put back into a pension. This is called the Money Purchase Annual Allowance (MPAA) and the Government will consult on reducing this from £10,000 to £4,000 which goes against the spirit of the pension freedoms. A change will affect people who have taken taxable income from Flexi Access Drawdown, taken an Uncrystallised Fund Pension Lump Sum (UFPLS), or purchased a flexible annuity. Those affected will typically have accessed their pensions as a lump sum without advice and are seeking to rebuild their funds. This highlights the need for advice to ensure that your well-intended actions do not have an unintended consequence.

#### National Productivity Investment Fund announced

The £23bn National Productivity Investment Fund is welcome as the Chancellor vows to make the UK 'match-fit'. But there has to be concerns over the extra borrowing amid a sharp deterioration in public finances. Forecasts will see debt rise to 90.2 per cent of national income by 2017-18. Frighteningly high, when you look at the long term demographic challenges. Not surprisingly, the FTSE 100, pound and gilts have all fallen in response.

#### New savings bond unveiled

In order to support savers, National Savings and Investments (NS&I) will offer a new 3 year savings bond from Spring 2017 for balances up to £3,000 with a market leading interest rate of 2.2%. This is helpful but £66 a year isn't going to have much impact on anyone reliant on savings interest.

#### Tax avoidance

To tackle tax avoidance, the Government will strengthen sanctions and deterrents and will take further action on disguised remuneration tax avoidance schemes. Tax advantages of salary sacrifice arrangements will be phased out except where they relate to pensions, childcare, cycle

to work schemes and ultra-low emission cars. We're pleased that salary sacrifice for pension payments will still be permitted, this a great way for anyone to boost their pension saving regardless of how much they are paid.

### Personal tax allowance and higher rate threshold rise confirmed

The Chancellor reaffirmed the Government's commitment to raise the income tax personal allowance to £12,500 and the higher rate threshold to £50,000, by the end of this Parliament. It becomes more important for couples to look at how they split income to make the most of personal allowances. This is particularly important with reference to pension saving – it's important to have pension savings in both spouse's names to make the most of both Personal Allowances.

### Pension scam consultation

The Government will shortly publish a consultation on options to tackle pension scams. This could potentially include: banning cold calling in relation to pensions, giving firms greater powers to block suspicious transfers, and making it harder for scammers to abuse 'small self-administered schemes'.

### Budget switch

The UK is the only major advanced economy to make major changes to the tax system twice a year. The Government will move to deliver a single fiscal Budget from Autumn 2017. This is a welcome change. It will mean that businesses and people face less frequent changes to the tax system and there will be more time for Parliament to scrutinise legislation before tax changes take effect.

### Where's the simplification?

Over in the US, President-elect Trump has promised to eliminate two regulations for every new one and we urgently need something similar. The complexity of the UK tax system defies belief, 17,000 pages of detailed legislation, while Hong Kong gets by on 276! As a new Chancellor, Philip Hammond had the opportunity to focus on cutting red tape – it feels like another missed opportunity. Hopefully we'll see something in March.

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