Autumn Budget 2017: A LITRG summary of the Autumn Budget for those on low incomes

General Features

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The Autumn Budget revolved around embracing the future, in particular the changes, challenges and opportunities facing the UK as we prepare for Brexit – but what were the key announcements for those on the lowest incomes?

In July’s Technical Newsdesk, Gillian Wrigley and Kelly Sizer talked about some of the features of the marriage allowance including the rule that requires the couple to be married or in a civil partnership at the time a claim is made. This leads to harsh consequences where one member of a couple dies before the claim is made and HMRC cannot then accept the marriage allowance claim. In LITRG’s experience it is often the case that the surviving spouse doesn’t find out about marriage allowance until the estate is being dealt with. After campaigning for a change to the rules, LITRG warmly welcomed an announcement in the Autumn Budget that will allow claims to the marriage allowance in these cases and that such claims can be backdated by up to four years provided all other conditions for the allowance are met.

One constant feature of many recent budgets has been the announcement of an increase to the personal allowance. This Autumn Budget did not disappoint, with the personal allowance due to increase to £11,850 from 6 April 2018. LITRG commented on this (see our press release), noting that while this is good news for many, it actually does little to help those on the lowest incomes. Those with income under the current threshold of £11,500 will see no benefit from the further increase to the personal allowance. Those with incomes above that level may see an increase in their net income – but the amount depends on whether they receive tax credits or other means-tested benefits such as universal credit. Tax credit recipients will benefit by a full £70. However those receiving universal credit, which is based on net (after tax) income, will only be better off by £25.90. This is because they only gain 37% of the benefit of any increase in the personal allowance due to the 63% taper rate in the benefit. LITRG has long argued that a much better way to help those on the lowest incomes would be to increase the work allowances in universal credit (the amount someone can earn before benefit is withdrawn) which were significantly cut in 2016.

Due to growing pressure in recent weeks, the Chancellor announced a £1.5 billion package of changes to universal credit. Although the changes are welcome (see our press release), they only deal with a few of the current concerns around universal credit. LITRG have recently published a report on self-employment and universal credit (https://tinyurl.com/y79zdr6n) which outlines the shortcomings of the system for the self-employed and proposes a fairer, workable alternative. The report was outlined in last month’s Technical Newsdesk.

Hidden in the accompanying Autumn Budget documents was confirmation that the roll-out of universal credit will slow down between February 2018 and April 2018 and will now complete in December 2018 rather than September 2018 as planned. David Gauke, now Secretary of State for Work and Pensions, confirmed in a statement to the House of Commons that this means new claims for tax credits will remain possible until 31 January 2019 (previously 31 October 2018).

LITRG provides a great deal of guidance to students via its website www.taxguideforstudents.org.uk. It was welcome news in the Autumn Budget that the Student Loans Company and HMRC will change their processes by April 2019 so that loan repayment records are updated more frequently which should help reduce the problem of loan overpayments. However, until this happens it is recommended that students who enter their last two years of repayments should switch to paying the Student Loan Company directly in order to stop potential overpayments.

LITRG also provides dedicated information via the www.litrg.org.uk website to members of the armed forces and their families. The Chancellor announced that an income tax and NIC exemption will be introduced for certain allowances paid to Armed Forces personnel for renting or maintaining accommodation in the UK private market.

LITRG continues to highlight issues for low income taxpayers with the introduction of HMRC's Making Tax Digital programme and one particular area of focus is the use of penalties. The government used the Autumn Budget to announce that, following recent consultations on various options, it will be implementing a points-based penalty system in due course. Broadly the idea is that points will be incurred for the late-filing (or non-filing) of a return required under the MTD rules in a similar way to points incurred for driving offences. Once a certain point's threshold is reached, a financial penalty could then be charged. HMRC also announced they would consult further on the possibility of standardising penalties and interest across all taxes with a view to ensuring the system is fair, simple and effective across different taxes.

At the same time as some of the LITRG team were giving presentations to an organisation representing shared lives carers, there was an announcement that the rules for qualifying care relief (a simplified way for certain paid carers to work out their taxable profits) will be extended to include Shared Lives schemes that are self-funded by the person receiving care. These changes will have effect for the tax year 2017/18 and are welcome for those who work in this part of the care sector.

Many low income workers often find themselves offered work in the private sector on the premise that they will structure their work through a limited company. The government announced in the budget that it will consult in 2018 on whether to extend the public sector off-payroll reforms to the private sector. Sometimes low income workers are caught up in the consequences of taking this route and so we cautiously welcome the announcement of this consultation as extending IR35 public sector reforms to the private sector could help remove the limited company 'incentive' in time.

The government took the opportunity to confirm an increased national minimum wage rate from April 2018 – for those aged 25 and over it will rise by 4.4% to £7.83 from April 2018.

A full breakdown of all of the announcements can be found on the LITRG website.