Queen’s Speech 2017

General Features

01 August 2017

The government set out their programme for the new parliamentary session on 21 June. Unusually, the new session is scheduled to last two years rather than the usual one and is likely to be dominated by Brexit legislation. Among the 27 Bills and draft Bills the following will be of particular interest to tax professionals.

Finance Bills

The programme will include three Finance Bills to implement Budget decisions. Despite its name Summer Finance Bill 2017 will not be published until September at the earliest. It will contain the measures dropped from the pre-election Finance Bill. The government have confirmed that policies announced as applying from April 2017 will still apply from then. Some updated draft provisions have been published, containing ‘technical adjustments and additions to the versions contained in the March Bill… to ensure that they function as intended.’ The Bill is expected to be debated in the autumn and to gain Royal Assent shortly ahead of the November 2017 Budget.

The move to a November Budget – as part of the process of holding just a single annual fiscal event – will have some knock-on consequences for tax legislation. The two other Finance Bills in this session are expected to be published in December 2017 and December 2018, with most parliamentary scrutiny taking place in the following January and February and the Bills gaining Royal Assent before the end of March, ahead of the start of the tax year when the majority of their provisions will take effect. ‘L-Day’, when draft clauses are published, is thought likely to be in July in future, although for the December 2017 Bill (implementing measures announced in the March 2017 Budget) it will probably be September.

National Insurance Bill

A National Insurance Bill will legislate for National Insurance contributions (NICs) changes announced at previous fiscal events (Budget 2016 and Autumn Statement 2016). Referring back, these include abolishing class 2 NICs, aligning primary and secondary thresholds, subjecting termination payments to employer NICs and removing the NI advantages of salary sacrifice. We are told the aim is to ‘make the NICs system fairer and simpler’. This Bill will explicitly not contain the increase to Class 4 contributions proposed in Spring Budget 2017.

Customs Bill

A new Customs Bill will be introduced (probably in autumn 2017). The aim is to provide new domestic legislation to replace EU customs legislation and modify elements of the indirect taxes system. It will allow the government to operate standalone domestic customs and indirect taxes regimes when the UK leaves the EU.

The Bill aims to provide a framework allowing the government to:

- charge customs duties on imported goods and adjust the rates of these duties;
- collect payments of customs duties, administer the customs regime, and tackle duty evasion;
- control the import and export of goods.
- accommodate potential negotiated arrangements with the EU.

European Union (Withdrawal) Bill

Formerly known as the ‘Great Repeal Bill’ this Bill was published in July. It will:

- Repeal the European Communities Act 1972, ending the supremacy of EU law in the UK;
- Bring all EU laws currently applying to the UK onto the UK statute book;
- Create powers to make secondary legislation to correct the statute book, where necessary, to rectify problems occurring as a consequence of leaving the EU.

Financial Guidance and Claims Bill

The government has proposed a single body responsible for all public financial guidance. The current public financial guidance service is delivered by the Money Advice Service, The Pensions Advisory Service and Pension Wise, respectively, with services sometimes overlapping. The government says a single merged body will improve efficiency by reducing duplication and will deliver better value for money. It also proposes strengthening the regulation of claims management companies by transferring the regulatory responsibility to the Financial Conduct Authority (FCA).

This Bill has already started its passage through the House of Lords. The Low Incomes Tax Reform Group has made representations to interested peers, offering broad support for the Bill but arguing it could be improved by:

- Making it easier for appropriately authorised advisers to transfer clients and pass on personal data;
- Making unambiguously clear that tax refund companies are under FCA supervision including the level of fees they charge.

Conservative – DUP Agreement

Although not a piece of legislation, the deal between the Conservative Party and Northern Ireland’s Democratic Unionist Party (DUP) will help set the agenda for the session ahead. While the media and public focus has been on extra financial resources going to Northern Ireland as a result of the agreement, there are also a number of tax implications.

A detailed consultative report will be commissioned into the impact of VAT and Air Passenger Duty on tourism in Northern Ireland. This follows a recommendation from the House of Commons Northern Ireland Affairs Committee in March 2017. In Northern Ireland, tourism-related businesses pay 20 per cent VAT, compared to 9 per cent VAT for equivalent businesses in the Irish Republic.

The agreement also includes a commitment toward the devolution of corporation tax rates. This includes the timetable for its introduction and how this will be managed flexibly. It is expected that NI will adopt a corporation tax rate of 12.5 per cent, the same as applies in the Republic of Ireland.

There is a commitment to recognising a limited number of Northern Ireland enterprise zones, as long as they are considered value for money. New equipment bought by companies in such zones qualifies for 100 per cent capital allowances for the first eight years from the date the zone is announced, we are told.

Under the agreement DUP MPs will support the Conservative minority government in ‘confidence and supply’ votes during this session. This will include Finance Bills though it is unclear whether it prevents DUP MPs supporting ‘non fatal’ amendments during committee and report stage.