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Grant Thornton UK's Autumn statement 2012 predictions



Andy Westhead, partner in tax for business and financial adviser Grant Thornton in Yorkshire, runs through his predictions for the Chancellor's Autumn statement on Wednesday 5 December 2012:

"Autumn is likely be more about patent boxes and high-end property tax changes than pasties, after last March's 'omnishambles', when a number of proposals were launched only to need a quick reversal as they proved to be unworkable.

"This year's Chancellor's statement is likely to push a few ideas ahead of next year's Budget to show some political momentum but will primarily be around the results of the numerous consultations over the summer."

There are some key areas the announcements will slot into:

1. Anti-avoidance

"Public pressure is likely to see a number of commitments from the Coalition to tackle actual and perceived tax avoidance. The flagship measure will be the unveiling of the proposed General Anti-Abuse Rule (GAAR). This will provide an underpinning piece of legislation to challenge more aggressive tax planning.

"We are expecting some refinements to the draft issued a few months ago as the parliamentary draftsmen battle to derive something that catches the 'bad' but doesn't stifle UK competitiveness.

"There is likely to be a swipe at global organisations with a high UK presence but low tax bills. It is probably too early to see concrete measures announced but perhaps we'll get a statement of intent that 'something will be done', and if so this is likely to consider royalty payments."

2. High net worth individuals

"High net worth individuals are unlikely to walk away unscathed. Despite the 50p tax rate falling next April, there were a number of proposals consulted on over the summer in relation to properties worth over £2 million, particularly those held through offshore structures. Although this category attracts little public sympathy, the initial proposals looked cumbersome and hard to implement so again we are hoping to see some movement in terms of making these more workable."

3. Statutory residency test

"After discussions spanning a couple of years, the UK is about to get a formal statutory residence test to help taxpayers determine if they are resident or not in the UK. This will provide much needed certainty to them in relation to their tax affairs after a number of difficult years when the rules have been muddled by changing HMRC guidance and a number of long running tax cases. The final version of the test will show what the key criteria are that will determine UK residency. As a result of consultation, we are hoping to see clarity on some issues that were highlighted in the consultation process, such as what importance will be given to any UK accommodation."

4. UK competitiveness

"We already know there are plans to introduce special tax rules around intellectual property (the 'patent box') and to increase UK competitiveness (the 'controlled foreign company' rules) from 2013. However, we have also seen a falling corporation tax for several years in a row. Will the Chancellor be paving the way for another cut of the mainstream rate? And if so, how will he pay for it? We should get some indication of whether this issue is going to be notched up another time."

5. Personal allowances

"The Chancellor is likely to reaffirm the coalition target of raising the personal allowance to £10,000 by April 2015. The April 2013 rise is already announced but if there is any scope to show a continuing upward path it will help provide some comfort to those on lower income levels and a little comfort for those who are due to lose their child benefit from January 2013."



media relations and profile

6. Pension tax relief

"Every year for what feels like as long as we can remember there has been speculation that the government will limit pension tax relief to the basic rate (currently 20%) rather than the taxpayer's highest rate. Rumours are circulating yet again but, after a number of years of pension change, the hope is that this area will be left alone allowing the current rules to bed down. However, as always, it is worth considering maximising the existing regime in the current tax year."

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Photo shows: Andy Westhead, partner in tax for business and financial adviser Grant Thornton in Yorkshire

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Notes to editors

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