

46) TAXATION - The latest in a series of articles by Iain Gregory of Caithness CAB

A slightly unusual situation has occurred. I am having a whole week off, which is the first time since last Christmas. This has advantages, in so much as I can have a rest, but is also fraught with danger as Liz has me under 24/7 surveillance and there is now no excuse for my failure to attend to any overdue domestic tasks such as balancing the central heating radiators (done); fixing a broken flagstone dyke (done); erecting new curtain poles (done); shifting a few tonnes of logs (half done); repairing potholes in the road (work in progress); or submitting my tax return and preparing Liz's (not done, but thinking about it). When this lot is seen to and I have dutifully trudged 10 paces behind around a number of depressingly festive stores and listened to the umpteenth repeat of a cover version of "White Christmas" whilst being beset by suspiciously happy shop staff dressed as amusing elves, I hope to have a day or so to drive my car and wander about on a few hills – preferably ones where there is no mobile signal. But before this, I thought it would be useful to provide a bit of information on the content of the recent budget, and, more importantly, to assess where it will leave you and I in real terms.

All budgets, delivered by Chancellors of all parties, are a bit like the Curate's egg – good in parts. And no matter what the speech contains the opposition will always declare it to be a disaster whilst the Government declare it to be a triumph. The truth is always somewhere in the middle and, as ever, the devil is in the detail.

First of all, putting aside growth and borrowing predictions which always tend to be well off the mark, the best place to start is on the subject of taxation. Mr Hammond has announced that the personal tax threshold will rise (as planned) from its current level of £11500 to £11850 from April 2018 and will eventually increase to £12500 in 2020/21. In other words in the next tax year you will be (very) slightly better off and for higher rate taxpayers the threshold will increase from £45000 to £46350 (but remember that in Scotland the higher rate threshold is lower at a current figure of £43000 so we will need to see what Holyrood does in December). So there are no real surprises here – a slight increase in the thresholds but little chance of buying a yacht on the proceeds. Where a tax rise was introduced earlier this year, (although it is not called "tax") was via National Insurance contributions for the self-employed. I have maintained for years that there is no real difference between Income Tax and National Insurance – most of us have to pay NI and it all goes in the same pot – but self-employed people have traditionally paid a lower rate, reflecting their position as individuals with no employer's safety net. It was decided – in the interests of "fairness" apparently - that the current Class 2 contribution band will be abolished and everyone will pay Class 4 with an increase from the current 9% to 11% by April 2019. Clearly, many self-employed people will have a view on this, bearing in mind the risks involved in running your own business, but it seems to be a *fait accompli*.

The National Living Wage will rise in April 2018 by 4.4%, from £7.50 an hour to £7.83. I just rather wish that the Chancellor had announced a ban on zero-hours contracts while he was at it, but we will have to live in hope for a bit longer. It will come. I also see that the VAT threshold for businesses will be held at £85,000 for two years – it would have been helpful to see changes here here to allow businesses to get on with producing growth rather than spending time on VAT returns, but unfortunately not.

As usual “sin taxes” feature heavily – I sometimes wonder how the state would manage if we did not commit the odd unpardonable sin, such as enjoying a pint or a dram or perhaps the odd Cuban cigar, but I am sure they would think of something else. As it stands the budget announcements have been fairly mild this time around with about 35p on a packet of cigarettes and duty frozen on wine, beer and spirits. Just remember however that we are shortly to have a “minimum pricing” regime for alcohol sales in Scotland, under Holyrood legislation. As many of us tend to buy the odd bottle of plonk from time to time I suppose we will just have to pay extra. Whilst I do hope that something positive can be achieved, the cynic in me wonders just how that is going to deal with the problems which beset our nation in terms of alcohol abuse. Anyway, I digress. Gambling seems to be proceeding according to plan and the tax take is enormous – I wonder how many lives have been ruined by gambling addiction and what plans there are to counter same? I did not see much in the budget on that subject – unless I missed something?

So what about savers? As we all know to our cost the last decade has been a bit of a disaster with interest rates falling from an easy 6% in 2007 to virtually nil today. The recent rise in base rates from 0.25% to 0.5% is not really going to make much difference and I do not see anything that is really going to help. Admittedly, in the current tax year you can invest up to £20,000 in an ISA, but with a “good” rate being around 1% and inflation currently at about 3% there is a problem there. All I can really suggest is to look for the best possible deal – and be very careful who you invest with – and hope that interest rates eventually get back to sensible levels.

Pensioners will do quite well – the Government takes the September inflation figures and uses them to set pension increases for the following April. The Chancellor announced that there will therefore be a 3% increase in April 2017 (about £3.65 per week on the full basic pension). And – at long last – the government have finally bowed to pressure (much of it from CAB) as regards the much reviled Universal Credit payment and changes have been announced – until I see the details I am only going to give a cautious welcome to this, but it does look as if arrangements will be put in place to reduce the appalling six week waiting time by a whole week (a week in which no payment whatsoever was made for many claimants) and to make advances more generous. It is just a shame that this took so long and CCAB are still going to be issuing vast numbers of food vouchers.

So there we have it. Another budget and another tax year ahead. I am not sure when "tax freedom day" will be in 2018, but when I find out I will let you know. And now I must have another look at the list of tasks set out for me to attend to. I definitely do not like the look of the roof ladder and the moss scraper left lying on the rear deck.