Budget 2017

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FOREWORD

Generally, I thought it was a rather nice natured budget speech. All the right things were said and delivered in an inclusive way which was rather refreshing. In the back of my mind I was thinking of a term we accountants like to use - Materiality. While many changes are in important areas, it doesn't really change the big picture.

UK government expenditure is predicted to be £802 billion for 2017/18. Philip Hammond spent just under an hour telling us how he was going to spend £300 million here and £90 million there. In all he mentioned less than 3% of total state expenditure.

I would have liked him to have also said:

- We are spending £149 billion on healthcare delivering world leading medicine to every man woman and child in the country.
- We are spending £245 billion on social protection ensuring our ageing population continues to live in dignity and no child has to live in poverty.
- We are spending £48 billion on defence, running one of the most efficient and effective militaries in the world.
- We are spending £102 billion on education, driving home the aim that everyone is given an equal chance in life.

and that is a very big picture.

Paul Ffitch
8 March 2017

In memory of Alan Thomson, who sadly passed away in March 2016.

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Further copies of this guide, together with further information concerning the Budget, are available on our website at www.sayersb.co.uk.

Note: This Guide has been compiled from the Chancellor's Autumn Statement, Budget Statement and Government Press Releases. The legislation necessary to implement these proposals will be contained in a Finance Bill expected to be published shortly. The Bill will then pass through Parliament before becoming law as the Finance Act 2017. Until then the Chancellor's proposals should be regarded as subject to amendment. No liability can be accepted for any loss incurred by a person relying solely on the content of this Guide.

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Sayers Butterworth LLP
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INCOME TAX 1

KEY POINTS

OUR THOUGHTS

Personal Allowances

As previously announced the personal allowance for 2017/18 will be £11,500, with the higher rate threshold increasing to £45,000.

In a break from recent tradition, the chancellor has not announced the rates for the following tax year (2018/19). We suspect he is holding this back until the Autumn Budget later this year.

New tax-free allowances

As announced last year, from 6 April 2017 two additional tax-free allowances will be introduced; a £1,000 allowance to individuals who occasionally sell goods or provide services, and a £1,000 allowance to individuals receiving income from property.

This is effectively a "de-criminalisation" of micro-businesses, ensuring that those who may only receive small amounts of income, but not reporting it, are not technically breaking the law.

Increase in Class 4 National Insurance contributions

The government will legislate to increase the rate of Class 4 National Insurance Contributions from 9% to 10% from 6 April 2018 and from 10% to 11% from 6 April 2019. The uncapped National Insurance rate remains at 2%.

It has previously already been announced that Class 2 National Insurance will be abolished from April 2018.

This change acts to increase the parity of National Insurance contributions paid between the employed and the self-employed, despite being a politically controversial move.

Whilst there will be more National Insurance to pay by self-employed the good news is that as of April 2016, the self-employed now have access to the same state pension as employees and indicates an overall strategic alignment between the two types of work.

Further details on the tax impact of this measure are expected from the government shortly.

Dividend Allowance Reduction

From 6 April 2018, the £5,000 dividend allowance will be reduced to £2,000.

The government's highlights that 2/3 of those with dividend income will be unaffected by this measure. However, the change represents a relatively quick reduction of an allowance which initially acted to 'smooth' the loss of the dividend tax credit and will be a disappointment to those in receipt of significant dividend income.

Making Tax Digital

The Government have previously announced that unincorporated businesses and landlords will be required, from April 2018, to make quarterly online submissions to HMRC reporting income and expenditure. They have now delayed the start date for businesses and landlords below the VAT registration threshold until April 2019.

Making Tax Digital is the largest change to the administration of the tax system since the introduction of Self Assessment in 1996/97. For many people this will involve a substantial change in recording and reporting their business and/or rental income/expenditure. A delay for those below the VAT threshold is welcome, helping ensure any HMRC IT issues are hopefully resolved before submissions are required.

The exemption for the smallest business (turnover below £10,000) remains.

INCOME TAX 2

KEY POINTS

Money Purchase Annual Allowance

Where an individual has started drawing from a pension, future pension contributions on which tax relief is available are limited by this annual allowance. From 6 April 2017, the money purchase annual allowance will reduce from £10,000 to £4,000.

OUR THOUGHTS

This reduction aims to restrict the extent to which tax relief on pension contributions can potentially be 're-cycled'. However, the £4,000 allowance still allows for some flexibility, for example if a retiree takes on part-time employment and is enrolled into a workplace pension scheme.

ISA developments

There have been no new announcements, but the changes previously announced have been confirmed:

- Lifetime ISAs (for those aged 18-40); and
- Annual ISA threshold to be increased to £20,000.

The government will credit any Lifetime ISA with up to 25% of contributions up to £4,000 per year, provided that no withdrawals are made until either age 60 or if used to acquire a first home.

It would seem to be a sensible plan for parents looking to help their children onto the property ladder to help them invest in the "Lifetime ISA" to enable the Government to contribute an additional 25% to the pot.

However, at the time of writing only two providers have announced their intention to have this ISA available in April 2017! It remains to be seen how many will follow, or whether the industry simply views this as too niche and too complicated.

Optional remuneration arrangements (salary sacrifice)

Income Tax and Employer National Insurance contributions advantages where benefits in kind (BiK) are provided though salary sacrifice or other optional remuneration arrangements are to be removed (with limited exceptions) from 6 April 2017.

Employers and employees may want to review their existing arrangements to see if they still achieve the desired objectives. **Please do contact us if you require further help in this area.**

Making good on benefits in kind

Where an employee makes a payment in return for the BiK they receive, this payment must be made by 6 July following the end of the tax year in which the benefit is provided.

Employers preparing P11Ds internally should be aware of this significant change, and ensure that where it is expected that staff will repay the businees, that this happens before 6 July following the end of the tax year.

INCOME TAX 3

KEY POINTS

Disguised Remuneration

Following an announcement in 2016, with effect from 6 April 2017 legislation will further prevent the use of disguised remuneration schemes designed to provide payments, typically as loans, to employees rather than salary. Future use of schemes will be prevented by tightening the existing rules and loans from existing schemes will be subject to a new tax charge if not repaid by 5 April 2019. In addition, employers will only be able to claim a deduction for contributions to such schemes if income tax and National Insurance are paid within a specified period.

OUR THOUGHTS

Disguised remuneration schemes and in particular Employee Benefit Trusts (EBTs) have been the subject of extensive challenge from HMRC for more than 10 years, without ever having completely stopped their use; this is an attempt to finally collect income tax from all existing schemes.

Termination Payments

As previously announced, from April 2018 the Government will be tightening the rules on ex-gratia termination payments, including that any such payments in excess of £30,000 will be subject to employer National Insurance Contributions. In some circumstances, payments previously exempt under the £30,000 limit will now be subject to tax.

Certain termination payments are exempt from employee and employer National Insurance Contributions and the first £30,000 is income tax free. This exemption has always been intended to support individuals who lose their job. This tightening of the rules is intended to prevent the present manipulation by employers from structuring arrangements to include payments that are ordinarily taxable such as notice and bonuses, as well as aligning the income tax rules with National Insurance.

Life insurance policies

Further to the government's announcement in Autumn 2016 to legislate in this area, policy holders who have exceeded the 5% tax deferred allowance and resultantly generated a wholly disproportionate chargeable gain will now be able to apply to HMRC to have the gain recalculated on a 'just and reasonable basis'. The changes will come in with the Royal Assent of Finance Bill 2017.

This represents a welcome change to a currently unfair position where (albeit in limited circumstances) a taxpayer could find themselves with a gain arising on a withdrawal completely unrepresentative of the underlying economic gain on the original premium; which itself may not even have been fully withdrawn.

Company cars

To further incentivise the use of ultra-low emissions vehicles, new lower company car tax rates will be introduced from 2020-21.

From April 2020, for cars that have CO2 emissions of between 1 and 50g/km, the taxable benefit will not only be based on their emissions, but also on the distance they can travel using electric power alone.

With hybrid and electric vehicles becoming increasingly popular, this latest change in the company car benefit charge could make a significant difference to the overall cost of providing company cars.

From April 2020, a car with emissions of 1g/km and an electric range of more than 130 miles will have a benefit charge of 2% of the list price. A car with emissions of 1g/km and an electric range of less than 30 miles will have a benefit charge of 14% of the list price. Using a basic example of a car costing £100k, the benefit charge in this instance will be £12k higher per year which is a staggering difference when you consider both vehicles only emit 1g/km of CO2.

BUSINESS TAXES 1

KEY POINTS

OUR THOUGHTS

Corporation tax

From 1 April 2020 the rate of corporation tax will be reduced to 17%.

This remains unchanged from previous announcements. We expect that any future changes will be announced in the Autumn Budget.

Research and development (R&D) tax review

The government will make administrative changes to research and development tax credits following a review of the tax environment for R&D, with the aim of increasing the certainty and simplicity around claims.

While the government is proposing simplifications to the claim process, the rules and criteria for claiming the relief can still appear complex. Any companies submitting claims should therefore ensure that their claims meet all the qualifying criteria.

We have successfully assisted a large number of our clients with R&D tax relief claims and have a 100% success record. If you think your company may have undertaken qualifying R&D activity, please contact Phil Taylor who will be happy to discuss this potential tax relief with you.

Appropriations to trading stock

Where an asset is transferred into trading stock from being an investment or other fixed asset, a taxable gain or loss is deemed to be realised by reference to market value. To avoid this an election could be made to effectively hold-over the gain until eventual sale.

In some situations, this election was being used to convert a capital loss into a more useful trading loss.

The change is designed to ensure that the loss retains its character

This is likely to have an impact on those who may have been misusing this provision. For others, it will serve as a reminder of the consequences of transferring assets into trading stock, i.e. the triggering of a tax liability without an actual disposal of the asset concerned, and the need to make an election where appropriate.

Withholding tax exemption for debt traded on multilateral trading facility

The Government intends to consult on providing a withholding tax exemption on debt traded on new "trading facilities".

We are aware from our discussion with clients that there are, in development, a number of online platforms to enable companies to factor any number of specific sales invoices. Those wishing to invest can select specific industries or companies in order to control their risk profile. The government's intention is that such markets will be exempt from withholding tax for interest on traded debt. Consultation will be published on 20 March 2017.

Removal of tax relief on "Employee Shareholders"

From 1 December 2016 tax reliefs on employee shares were stopped for new entrants, as a result of the scheme being used for tax avoidance, rather than as originally intended.

In 2013 the then government introduced Employee Shares for Employment Rights. Our thoughts at the time were "Employees willing to give these [fundamental employment rights] up for £2,000 worth of shares will be few and far between…."
Unsurprisingly, following consultation this had now effectively been abolished.

BUSINESS TAXES 2

KEY POINTS

Reform of the Substantial Shareholdings Exemption

From 1 April 2017, the rules will be simplified, removing the investing company requirement within the Substantial Shareholding Exemption (SSE) and providing a more comprehensive exemption for companies owned by qualifying institutional investors.

Under the existing rules, where a company disposes of its shareholding in a trading company, the SSE may apply provided certain conditions are met. One of these conditions is that the company disposing of the shares is part of a trading group both before and after the disposal.

The exemption for companies owned by qualifying institutional investors (at least 25% owned) is new and will provide additional relief under the SSE.

OUR THOUGHTS

This relaxation of the investing company requirement means the SSE may still apply even if the only trading company within the group is disposed of, and further aids trading groups in restructuring and making productive disposals.

Some of the aspects that have caused difficulties in claiming the exemption have now been removed and this should result in a useful simplification.

Hybrid Mismatches

Long seen as a method of avoiding tax on cross-border revenue or gaining a possible double-deduction for expenditure, the UK now has legislation addressing structural arbitrage between tax regimes.

The budget introduces 2 small changes to the regime introduced in 2016. One reduces the need for making a specific claim in respect of financial instruments and the other addresses possible deductions for depreciation.

The hybrid mismatch legislation is complex anti-avoidance legislation aimed at cross-border structures and instruments which are interpreted differently by the tax regimes concerned. Part of the global OECD Base Erosion and Profit Shifting initiative, the UK is an early adopter and is now fine-tuning the legislation introduced last year.

Those who already have adopted sophisticated global tax management techniques or are considering doing so should take note not only of this tax avoidance regime in general but also of these small changes.

Corporate interest restriction

Effective from 1 April 2017, for global groups this provision will serve to restrict tax allowable deductions for interest by reference to the economic activity undertaken in the UK and replaces the existing debt cap provisions.

This is targeting “big business” who have previously taken advantage of international tax treaties to minimise overall tax costs. It seeks to ensure that UK taxable income only takes a deduction for financing costs commensurate with UK activities.

BUSINESS TAXES 3

KEY POINTS

Corporation Tax relief for museums and galleries

A new tax relief will be introduced from 1 April 2017 for museums and galleries who develop new exhibitions.

The rates for the relief are 25% for touring exhibitions and 20% for non-touring exhibitions and will allow museums and galleries to claim a credit worth up to £100,000 (touring) / £80,000 (non-touring) based on qualifying expenditure of £500,000.

Where the company is profitable, this credit will be used to reduce taxable profits, but where the company is loss making, the additional deduction can be surrendered in return for a repayable tax credit.

OUR THOUGHTS

The introduction of this new tax relief is certainly welcome and the policy has been designed to encourage museums and galleries to develop creative new exhibitions and to display their collections to a wider audience, supporting British culture.

The availability of a repayable tax credit should provide an excellent incentive for galleries and museums to develop new exhibitions

Cash accounting for unincorporated businesses

The Government will increase the trading cash basis threshold for unincorporated businesses from 6 April 2017 to £150,000 (from £83,000).

The cash basis means that owners of small businesses can work out their annual taxable profit or loss simply by deducting business expenses from income received.

The cash basis, announced in 2013, may well be welcome for simpler smaller business, however certain expenditure that would usually be deductible is not dealt with under this scheme. Taxpayers should carefully consider the full impact of using the scheme prior to preparing Tax Returns on this basis.

The Patent Box and Cost-sharing Agreements

The UK is an attractive location for the development and exploitation of patents and other intellectual property. Cost-sharing agreements are arrangements whereby the costs of a particular project are shared, often cross-border, between different entities. These new provisions are intended to match the favourable UK tax relief with the activity actually undertaken in the UK.

Where intellectual property is being developed by more than one entity, not necessarily within the same group, how those costs or that revenue will be taxed must be considered.
Not unexpectedly, the UK guards its favourable tax regime in this area and so this provision is also not unexpected.

Capital allowances: First year allowances for electric charging points

Companies investing in charging points for electric vehicles are now able to claim first year allowances at a rate of 100% until the end of March 2019.

This further incentivises the use of electric vehicles by companies.

BUSINESS TAXES 4

KEY POINTS

OUR THOUGHTS

Loss relief reform

As announced at Budget 2016, the legislation governing corporate losses carried forward from earlier periods will be reformed.

Currently, losses carried forward can only be used by the company that incurred the loss and they may be restricted to being utilised against profits of the same trade. From 1 April 2017, businesses that incur losses from this date that are carried forward, will have greater flexibility in how these losses are utilised and will be able to use the losses against profits from other income streams and profits from other companies within the same group.

Increased flexibility of how to utilise losses is a welcome change and should prevent companies carrying forward losses that may never be utilised.

However, while this is good news for small companies, an additional measure will be introduced from 1 April 2017 for larger companies with profits in excess of £5 million, restricting the use of brought forward losses to 50% of the profit for the year.

Image rights

Continuing HMRC's keen eye on a fair tax system announcement has been made today to publish guidelines in Spring 2017 for employers who make payments for image rights to their employees which will improve the clarity of the existing scheme.

This is clearly targeting arrangements by footballers and other public figures who HMRC consider have avoided proper taxation by artificially seperating their image rights at inflated prices.

Off payroll working

The off-payroll rules (known as IR35 or the intermediaries legislation) are intended to ensure that individuals who work through their own personal service company pay broadly equivalent taxes as employees where they would be employed if they were taken on directly. This new measure moves the IR 35 responsibility in the public sector from the individual's own company to the public sector body, agency or third party paying them. From 6 April 2017 the public sector organisation will be responsible for deducting and paying the employment taxes and NIC to HMRC. In addition, the 5% "cost of administration" allowance will be removed for those who work in the public sector.

This change only applies to individuals working in the public sector. It will not affect workers who provide their services to private sector organisations who will remain within the IR35 rules.

The public sector bodies will need to be aware that they will be required to provide information to agencies and workers about whether engagements are within the off-payroll rules.

This is an attempt to clamp down on the abuse of IR35 in the public sector which has been paramount. That said, in the current tax climate employees who operate their own personal service company in the private sector would be well advised to make sure they are not caught by IR35.

CAPITAL TAXES & OTHER MATTERS 1

KEY POINTS

Inheritance Tax

The IHT nil rate remains frozen at £325,000 until 2021. However, the well-publicised 'main residence nil-rate band' designed to alleviate the burden of inheritance tax on the family home will take effect from 6 April 2017 as previously announced. This relief offers an additional nil rate band on estates which include a main residence where the deceased's interest in that property is left, on death, to one or more direct descendants (including step-children, adopted children and foster children) and their lineal descendants.

There are also provisions to assist individuals who have downsized or ceased to own a relieved home after 8 July 2015 for assets of an equivalent value up to the additional nil-rate band. However, the additional nil-rate band will be tapered on estates where the net value is greater than £2 million at a rate of £1 for every £2 that the estate value exceeds that amount.

Any unused proportion of the additional nil-rate band can be transferred to a surviving spouse or civil partner and where there is more than one property in an estate the personal representatives may nominate the qualifying residential property, although the property will not qualify if it was never the residence of the deceased.

The application of the main residence nil-rate band does not apply to lifetime transfers which are chargeable as a result of death, only tax payable by an estate on death.

The value of this additional nil rate band will be the lower of the net value of the deceased's interest in the property and the prevailing maximum band at the time of death (£100,000 for 2017/18, £125,000 for 2018/19, £150,000 for 2019/20 and £175,000 for 2020/21.

OUR THOUGHTS

Subject to the taper, this relief will effectively increase the nil-rate band from £650,000 to £850,000 for a surviving spouse where the nil-rate band was not used on the first death. Where the nil-rate band was utilised on a first death before 5 April 2017 the IHT nil rate band will increase from £325,000 to £525,000 from 5 April 2017. This is a valuable tax saving for all those with estates under about £2m and there are further tax savings to follow over the next three years.

CAPITAL TAXES & OTHER MATTERS 2

KEY POINTS

OUR THOUGHTS

QROPS

From 9 March 2017, requests to transfer a UK personal pension to a QROPS (Qualifying Recognised Overseas Pension Scheme) will be subject to a 25% tax charge. The only exemptions from this charge will be as follows:

- If the individual and pension are in the same country;
- If the individual and pension are both in the EEA; or
- The pension is an occupational, public service or international organisation pension.

In addition, payments out of the transferred pension will continue to be subject to UK tax rules for 5 years.

It has been possible since 2006 to transfer a UK personal pension to a different jurisdiction with similar pension rules, the intention being to help simply the affairs of retirees permanently leaving the UK. The rules have been open to abuse and these changes are to some extent expected.

Non-Resident Companies

As previously announced, the Government will consult on whether offshore companies currently paying UK income tax or CGT, for example on UK property income, should be brought within the scope of corporation tax instead.

The main impact of such a move would be to restrict the amount of interest that could be set against profits in accordance with the changes introduced from 1 April 2017 in respect of UK companies.

Profits from trading in and Developing UK Land

The Government previously announced that profits from dealing in or developing land in the UK would be subject to UK tax, applying to any contracts made on or after 5 July 2016. They have now amended this to also apply to any profits arising on or after 8 March 2017, regardless of when contracts were made.

This is in reaction to some profits from long term contracts running over months or years, and therefore appearing to escape the new charge. Legislation introduced in Finance Bill 2017 will ensure all profits recognised in accounts on or after 8 March 2017 will also be taxed.

Promotors of Tax Avoidance Schemes (POTAS) *- not to be confused with POTUS!*

There is a general tightening up of the legislation to ensure the POTAS legislation cannot be circumvented by re-organising the ownership structure.

Additionally, there will be a new penalty on individuals or entities who enable tax avoidance schemes which HM Revenue & Customs later defeat. The penalty will apply to any enabling activity after Royal Assent.

These rules are firmly target those organisations that design and promote tax avoidance schemes, clearly with the aim of making them too financially risky to run.

Furthermore, Finance Bill 2017 will include a new legal “requirement to correct” for those who have failed to declare UK tax on offshore interests. Tougher sanctions will be in place for those who fail to correct by 1 October 2018. **We have helped a number of individuals deal with this difficult situation in recent years. Quite often the tax is manageable and well worth that good feeling of full compliance.**

Taxation of 'Non-Doms', Offshore Trusts and UK Residential Property (1)

Significant changes were announced by the Chancellor in 2016 to the tax treatment of Non-Doms, offshore trusts and UK residential property held by offshore companies and partnerships with effect from 6 April 2017. Following consultation, draft legislation has recently been published and it is clear that the impact of the changes will be wide ranging. For some it may be necessary to consider undertaking planning before 6 April 2017. **There is still time to do this.**

The main implications and considerations of the changes are as follows:

Taxation of 'Non-Doms'

1. Individuals who have been UK resident in 15 of the previous 20 tax years will now be treated as if they were domiciled in the UK ("deemed-domiciled"). As a result, they will be subject to income tax, Capital Gains Tax and Inheritance Tax on their worldwide income, gains and assets.
2. Individuals who were born in the UK with a UK Domicile of Origin will not be able to claim the Remittance Basis if they are UK resident.
3. As a concession, individuals who become deemed domiciled on 6 April 2017 will be able to rebase all overseas assets held on that date using their market value thereby reducing the potential exposure to CGT. However, this is only available if the individual has previously paid the Remittance Basis Charge.
4. From 6 April 2017, individuals who are non-domiciled will have 2 years to segregate income, capital gains and capital from mixed bank accounts.

Planning

Individuals who will be deemed domiciled from 6 April 2017 should consider:

1. Creating an offshore settlement if not already deemed domiciled under the existing IHT 17 year rule.
2. Claiming the Remittance Basis and paying the Remittance Basis Charge in 2016/17 in order to benefit from the CGT rebasing described above.
3. Delaying disposals until after 5 April 2017 in order to benefit from the CGT rebasing.
4. If appropriate, paying the Remittance Basis Charge before 6 April 2017 so it can be paid out of overseas untaxed income or capital gains.

Offshore Trusts

1. Deemed-domiciled Settlors of offshore trusts will be taxed on the gains of the trust on an arising basis if they add further assets to the trust after 5 April 2017.
2. Undistributed foreign income will not be subject to UK tax as long as a deemed-domiciled Settlor does not add any further funds after 5 April 2017
3. UK-resident Settlors may be taxed on distributions from the trust if the distribution is to a close family member and is not subject to UK tax because the beneficiary is either non-resident or claims the remittance basis.
4. UK resident individuals may be subject to UK tax if they receive a distribution from an offshore trust that has been paid to them using a non-resident or remittance basis beneficiary as a conduit. The rules apply to trust distributions in the 3 years before the onward gift or gifts made in anticipation of the trust distribution.
5. This 3 year period is extended indefinitely if the onward gift is part of an arrangement to ensure that the UK resident individual benefits from the distribution.
6. From 6 April 2017, it will no longer be possible to 'wash out' capital gains from an offshore settlement by making a distribution to a non-UK resident beneficiary.

Taxation of 'Non-Doms', Offshore Trusts and UK Residential Property (2)

Planning

Settlors, trustees and beneficiaries likely to be affected should consider:

1. Adding further funds to an offshore trust before 6 April 2017 (and none from this date) to maintain the trust's protected status and avoid income and gains being assessed on the Settlor.
2. Distributing funds to non-resident and remittance basis beneficiaries before 6 April 2017 to reduce income and stockpiled capital gains potentially taxable on UK resident Settlors/beneficiaries from this date.
3. Bringing forward, delaying or restructuring distributions to beneficiaries where either the Settlor will be subject to tax (close-family rule) or UK resident individuals receive gifts from the original recipients.
4. Consider creating sub-funds to limit the amount of gains potentially assessable on UK resident beneficiaries.

UK Residential Property

1. From 6 April 2017, the shareholders of certain offshore companies holding UK residential property will have an exposure to IHT based on their share of the property's value.
2. Similar rules also apply to partnerships.
3. In addition, certain loans used to purchase UK residential property will themselves be subject to IHT.
4. Foreign investments used as security for a loan may also be subject to IHT.
5. Individuals selling companies affected by these changes will continue to have an exposure to IHT for 2 years from sale.
6. Trusts selling companies affected will incur an IHT charge if the sale proceeds leave the UK.

Planning

Where UK residential property is held in an offshore company, we would recommend that the structure is reviewed and any action taken before 6 April 2017.

If you think that you may be affected by these changes, please do not hesitate to contact your usual contact at Sayers Butterworth or any of the following:

Matt Bird	Tax Partner
Paul Ffitch	Tax Partner
Tony Mahoney	Tax Partner
James Hearsey	Tax Director

RATES AND ALLOWANCES (1)

INCOME TAX			2016/17	2017/18
			£	£
Personal Allowance		*	11,000	11,500
Married Couple's Allowance	(born before 6 April 1935)	***	8,355	8,445
	minimum amount	***	3,220	3,260
	transferable tax allowance	****	1,100	1,150
Income Limit for Personal Allowances (where born before 6 April 1938)		**	27,700	28,000
Blind Person's Allowance			2,290	2,320
Personal Savings Allowance - Allowance for higher rate taxpayers in brackets		*****	1,000(500)	1,000(500)

*Personal Allowance restricted by £1 for every £2 of income over £100,000 (irrespective of age)

**The Married couple's allowance will be restricted by £1 for every £2 of income over the "Income Limit" down to the minimum amount.

***Indicates allowances where tax relief is restricted to 10%.

****Available to spouses/civil partners born after 5 April 1935. Allows a spouse/civil partner to transfer this amount of their personal allowance to their spouse / civil partner. Neither can be liable to income tax above the basic rate.

*****The £1,000 allowance is available for basic rate taxpayers, £500 for higher rate taxpayers, and £nil for additional rate taxpayers.

Tax bands	2016/17	2017/18
	£	£
Basic Rate	0 – 32,000	0 – 33,500
Higher Rate	32,001 – 150,000	33,501 – 150,000
Additional Rate	Over £150,000	Over £150,000

Tax rates	2016/17		2017/18	
	Income tax	Dividend tax	Income tax	Dividend tax
Dividend 0% band	n/a	First £5,000	n/a	First £5,000
Basic Rate	20%	7.5%	20%	7.5%
Higher Rate	40%	32.5%	40%	32.5%
Additional Rate	45%	38.1%	45%	38.1%

UK savings income falling within the first £5,000 is taxed at 0%, provided that the non-savings income does not exceed this limit.

From 6 April 2016 the dividend tax credit was abolished. In its place is a £5,000 0% band which is treated as the first slice of dividend income, taking up the part of any tax bands that it falls into. This £5,000 band will fall to £2,000 from 6 April 2018.

NATIONAL INSURANCE – 2017/18

Class 1 Contributions for Employees (primary)	Up to £157	£158 -£866	Over £866
Contribution Rate/(Contracted Out Rate)	**0%**	**12% (10.6%)**	**2%**
Weekly Earnings	£0 - £157	£158 - £866	Over £866
Monthly Earnings	£0 - £680	£681 - £3,753	Over £3,753
Annual Earnings	£0 - £8,164	£8,165 - £45,032	Over £45,032
Class 1 Contributions for Employers (secondary)			
Weekly Earnings	**Up to £157**	**Over £157**	
Standard Rate/(Contracted Out Salary Related)	0%	13.8% (10.4%)	

Class 2 Contributions for the Self-Employed*	
Weekly Flat Rate	£2.85
Small Earnings Exemption	£6,025

***The Government has announced its intention to abolish Class 2 NICs in 2018.**

RATES AND ALLOWANCES (2)

NATIONAL INSURANCE – 2017/18 (continued)

Class 3 Voluntary Contributions

Weekly Rate	£14.25

Class 4 Contributions for the Self-Employed

Profits between £8,164 and £45,000	9%
Profits above £45,000	2%

The "basic rate" National insurance is to increase to 10% in 2018/19 and 11% in 2019/20

CORPORATION TAX - Standard rate 19% (17% from 1 April 2020)

CAPITAL GAINS TAX	2016/17 £	2017/18 £
Annual Exemption		
Individuals and executors (within two years of death)	11,100	11,300
Trusts	5,550	5,650
Entrepreneurs' Relief/Investors' Relief - tax at 10%	10,000,000	10,000,000

Capital Gains are added to taxable income as the top slice and from 6 April 2016 taxed at 10% if the total falls within the basic rate band. All excess gains are taxed at the rate of 20%. Residential property will continue to be taxed at the old 18%/28% rates.

INHERITANCE TAX	2016/17 £	2017/18 £
Nil-Rate Band (frozen until 2020/21)	325,000	325,000

The rate of Inheritance Tax is 40% on death and 20% for lifetime chargeable transfers. The rate of Inheritance Tax on death where 10% or more of the net estate is left to Charity is 36%. The annual allowance and small gifts exemption remain at £3,000 and £250 respectively. The additional nil rate band for residential property will come in from 6 April 2017.

STAMP DUTY

Residential Property	Rate Payable (incremental)	Commercial and Mixed Property	Rate Payable (incremental)
£0 - £125,000	Nil	£0 - £150,000	Nil
£125,001 - £250,000	2%	£150,001 - £250,000	2%
£250,001 - £925,000	5%	Over £250,001	5%
£925,001 - £1,500,000	10%		
Over £1,500,000	12%		
Certain non-natural persons >£500,000	15%		

From 6 April 2016, any person acquiring a second (or additional) property may be subject to stamp duty surcharge of 3%.

Sale or Transfer of Shares and Securities (excluding AIM shares) – 0.5%

VAT (thresholds from 1 April 2017)		£	
VAT registration threshold		85,000	
VAT deregistration threshold		83,000	
Flat-rate scheme	VAT turnover	150,000	(ex VAT) in next 12 months
Cash Accounting Annual Accounting	Turnover	1,350,000	(ex VAT) in next tax year

The standard rate of VAT is 20%.