

THE BUDGET 16 MARCH 2016

PERSONAL TAX

	Value of restricted		Value of restricted	
	2016-17	Allowance	2015-16	Allowance
	£	£	£	£
PERSONAL ALLOWANCES				
Personal allowance	11,000		10,600	
Blind person	2,290		2,290	
Upper income limit	100,000		100,000	
AGE ALLOWANCES: 65 to 74				
Personal allowance	11,000		10,600	
Upper income limit	N/A		27,700	
AGE ALLOWANCES: 75 and over				
Personal allowance	11,000		10,660	
Married couple	8,355	835.50	8,355	835.50
Upper income limit	27,700		27,700	
INCOME TAX RATES				
20%	0 - 32,000		0 - 31,785	
40%	32,001 - 150,000		31,786 - 150,000	
45%	Over 150,000		Over 150,000	

A 0% band applies for savings income only falling in the first £5,000 of taxable income. This is only available if your only source of taxable income is from savings income. From April 2016 a new savings allowance means that the first £1,000 of interest on savings (£500 for higher rate taxpayers) will be tax free. A new property/trading allowance will apply from April 2017 meaning that no tax will be payable if income from these sources is below £1,000.

From April 2016 a dividend allowance of £5,000 will be introduced. No tax is payable if dividends are below £5,000 per annum. The dividend tax credit will be axed. Dividends over £5,000 will be taxed at the appropriate rates of 7.5%, 32.5% and 38.1%.

The personal allowance is reduced £1 for every £2 of income over £100,000 up to a maximum of the full personal allowance. This means that no personal allowance will be given to those earning over £122,000. A spouse who earns less than the personal allowance (£11,000) can transfer up to £1,100 to their spouse tax free, providing the recipient is not a higher rate taxpayer. The personal allowance will increase to £11,500 from April 2017 and the 40% tax band to £33,500 meaning you will be able to earn £45,000 from April 2017 (£43,000 from April 2016) before higher rate tax becomes due.

SAVERS

The limit to investments in ISA's will remain at £15,240 with flexibility on whether this is in cash or stocks and shares but this will increase to £20,000 from April 2017. No tax is payable on any interest, dividends or capital gains in ISA investments. A new lifetime ISA is to be introduced from April 2017 for those under 40. Up to £4,000 per year can be saved with the government putting in a 25% bonus at the end of every tax year. Contributions can be made up until the age of 50. The saved investment along with the annual bonus can then be used for first time buyers only to buy a property worth up to £450,000 at any time after 12 months. Alternatively it can be used for retirement but cannot be withdrawn until 60 years of age. If money is withdrawn for any other purpose the bonus and any interest is returned to the government and a 5% charge is applied to the withdrawal.

NATIONAL MINIMUM WAGE

For 25 and over year old workers the new national living wage applies from April 2016 of £7.20 an hour

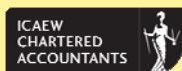
For 21 to 24 year old workers the rate is £6.95 an hour.

For 18 to 20 year old workers the rate is £5.55 an hour.

For 16 to 17 year old workers the rate is £4.00 an hour.

Apprentices are entitled to a wage of £3.40 an hour.

Prepared by the team at C.E. Hill & Co. Ltd
 17 March 2016



SOCIAL SECURITY BENEFITS		2016-17	2015-16
		£ per week	£ per week
Pension	Single 2.5% increase (2.7%)	119.30	115.95
	Married	190.80	185.45
Jobseekers allowance	over 25's	73.10	73.10
Child benefit	first child	20.70	20.70
	subsequent	13.70	13.70
Incapacity benefit	Long-term	105.35	105.35

People eligible to draw their state pension after 5th April 2016 will receive flat rate of £155.65 per week (£8,094 pa). This figure will be indexed.

NATIONAL INSURANCE

CLASS 1 2016-17

Employee - contracted in

Up to £155 p.w. (£8,060 pa)	Nil	Up to £156 p.w.	Nil
£155.01 to £827.00 p.w.	12%		
Above £827 p.w. (£43,000 pa)	2%	Above £156 p.w.	13.8%

Employer - contracted in

For 2016-17, the monthly earnings before national insurance is due is £671 per month (£8,060 pa). The employment allowance for 2016-17 is £3,000 although single person companies will not qualify.

CLASS 2 Self employed

	2016-17	2015-16
On earnings over £5,965 (£5,965)	£ per week	£ per week
	2.80	2.80

CLASS 3 Voluntary - flat rate

14.10	14.10
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CLASS 4 Self employed

2016-17	9% of profits between £8,060 and £43,000
	2% of profits above £43,000

Class 2 national insurance is scheduled to be abolished from April 2018 with further review of Class 4 national insurance expected.

STATUTORY SICK PAY (SSP)

	2016-17	2015-16
	£ per week	£ per week
Flat rate	88.45	88.45

STATUTORY MATERNITY PAY (SMP)

First 6 weeks (% of average weekly earnings)	90%	90%
Remaining weeks - max 33	139.58	139.58
Rate is lower of 90% of average weekly earnings or £139.58		

STATUTORY PATERNITY PAY (SPP)

Two weeks (as 33 weeks SMP payments)	139.58	139.58
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STATUTORY REDUNDANCY PAY

The current statutory redundancy pay amount is the lower of either the actual weekly wage or £475 per week.

INHERITANCE TAX

The nil rate band for Inheritance tax remains at £325,000 with amounts over £325,000 being taxed at 40%. From April 2017 a new allowance is introduced of £100,000 applying to a main residence which increases by £25,000 each year until it is £175,000 in 2020-21. This will bring the total nil rate band to £500,000 by 2020-21.

Surviving partners or spouses unused nil rate bands can be transferred on death, giving a maximum combined nil rate band for 2015-16 of £650,000. By 2020-21 including the main residence allowance this will be £1,000,000. You can make gifts amounting to £3,000 in any tax year, which can be carried forward to the following tax year if previously unused, giving a maximum allowance £6,000.

CORPORATION TAX	2016-17 Profit	2016-17	2015-16 Profit £000's	2015-16
	£000's			
Small profits' rate	0 - 300	20%	0 - 300	20%
Upper marginal rate	300-1,500	20%	300-1,500	20%
Standard rate	over 1,500	20%	over 1,500	20%

Corporation tax rates will reduce to 19% from 1 April 2017 and 17% from 1 April 2020.

CAPITAL ALLOWANCES

From 1 January 2016, the Annual Investment Allowance (AIA) reverted to £200,000 giving 100% relief for the first £200,000 (previously £500,000) of expenditure on plant and machinery. Writing Down Allowances (WDA) will remain at 18%. Capital allowances on cars with CO2 emissions over 130g/km will be eligible for a restricted WDA of 8% with those under 130g/km eligible for the standard 18% WDA. Cars with less than 75g/km of CO2 emissions attract a 100% allowance.

VALUE ADDED TAX

	New	Previous
Annual net turnover (effective 1 April 2016) registration limit	£83,000	£82,000
Annual net turnover (effective 1 April 2016) deregistration limit	£81,000	£80,000
Flat rate registration limit	£150,000	£150,000
Flat rate deregistration limit	£230,000	£230,000
Cash and annual accounting registration limit	£1,350,000	£1,350,000
Cash and annual accounting deregistration limit	£1,600,000	£1,600,000

Prior period VAT errors can be adjusted for on the next VAT return up to a limit of £10,000 but must be disclosed to HM Revenue & Customs (HMRC) in writing. Any errors above this limit will need to be separately notified to HMRC. The standard rate of VAT will remain at 20%.

TAX RETURNS REPLACED BY REAL TIME ONLINE ACCOUNTS

Plans were announced to switch to 'digital tax accounts' by 2020. Taxpayers will be given a login and password to submit tax information regularly in real time. Businesses will be able to link their own accounting software and bank account to their digital account. HMRC will update information available to each individual's account, for example, from employers, pension providers and banks. People will be able to pay their tax at any point throughout the year or spread the cost by paying in instalments. The introduction of the digital tax accounts will commence in 2016.

LANDLORDS, MORTGAGE INTEREST AND RENT A ROOM

Mortgage interest relief on buy to let properties for residential properties will be restricted to basic rate tax. This will be phased in from April 2017. Wear and tear allowance for landlords of fully furnished properties will be replaced by a new relief enabling them to claim a renewals basis for replacing furnishings in their property.

Rent a room relief will increase to the first £7,500 (previously £4,250) effective from April 2016.

VAT FUEL SCALE RATES FOR PRIVATE MOTORING ON PETROL AND DIESEL VEHICLES

Please use the following link to work out your VAT fuel scale charge. <https://www.gov.uk/fuel-scale-charge>

CAPITAL GAINS TAX

	2016-17	2015-16
Personal annual exemption (trustees)	£11,100 (5,550)	£11,100 (5,550)

Basic rate tax payers pay Capital Gains tax at 10% (previously 18%), and higher rate tax payers at 20% (previously 28%).

There is an 8% surcharge for residential property reverting the basic rate and higher rate levels to 18% and 28% respectively.

Entrepreneurs relief is available for the disposal of a trading business or shares in a trading company, providing the seller is an officer or employee of the company and has a minimum of 5% stake in the business. The entrepreneurs relief will reduce the effective rate to 10% on the first £10 million gains made over a lifetime. The relief has now been extended to apply to long term investors in unlisted companies. The shares must be held for a minimum of 3 years to qualify.

ENTERPRISE INVESTMENT SCHEME (EIS) AND VENTURE CAPITAL TRUSTS (VCT)

EIS and VCT investors allowed to invest up to £1 million. VCTs allowed to invest up to £1 million per company. EIS investors can make loans and invest in shares with non-cumulative dividend rights.

SEED ENTERPRISE INVESTMENT SCHEME (SEIS) AND ENTERPRISE MANAGEMENT INCENTIVES (EMI)

Seed EIS has been made permanent allowing investors to commit up to £150,000 in a single company but only 50% of the amount invested in qualifying businesses can be set off gains.

EMI schemes allows employees to hold options worth up to £250,000. Gains are charged at the 10% entrepreneurial relief rate.

STAMP DUTY AND LEASES

	Residential		Non Residential	
Property	Up to £125,000	Nil	Up to £150,000	Nil
	Next £125,000	2%	Next £125,000	2%
	Next £675,000	5%	Anything over £250,000	5%
	Next £575,000	10%		
	Anything over £1.5m	12%		
Shares		0.5% (No duty on amounts <£1,000)		
		0.0% (On shares traded on growth markets such as AIM and ISDX)		

A 15% stamp duty tax rate is applicable on residential properties worth over £500,000 that are purchased through companies. The government equity loan scheme for new builds will be extended to March 2020 with the mortgage guarantee scheme ending on 31 December 2016. Buy to let or additional home purchases will face a 3% increase to the above rates for purchases after 1 April 2016.

EXCISE DUTY CHANGES

Alcohol and tobacco

Cigarettes (pack of 20)	21p increase
Beer (per pint)	no change
Wine (per 75cl bottle)	4p increase
Spirits (per bottle)	no change

Vehicles and fuel

Main fuel	no change
Road fuel gases	no change
Rebated gas oil (red diesel)	no change
Heavy fuel oil	no change

Road Fund Licence

	Standard	Showroom		Standard	Showroom
(VED Band) - Change	Petrol & Diesel (£)		(VED Band) - Change	Petrol & Diesel (£)	
CO2 Band			CO2 Band		
(A) - <100g (no change)	0	0	(G) - 151-165g (no change)	180	180
(B) - 101-110g (no change)	20	0	(H) - 166-175g (no change)	205	295
(C) - 111-120g (no change)	30	0	(I) - 176-185g (no change)	225	350
(D) - 121-130g (no change)	110	0	(J) - 186-200g (no change)	265	490
(E) - 131-140g (no change)	130	130	(K) - 201-225g +£5 (+£5)	290	640
(F) - 141-150g (no change)	145	145	(L) - 226-255g +£5 (+10)	490	870

From 1 April 2017 a new banding system will come into effect for new vehicles. There will be a single standard rate of £140 except for cars with zero emission (£0) or cars worth over £40,000 which attract an additional supplement of £310 per year for the first 5 years.

PENSION SCHEME

From April 2015 instead of buying an annuity there is an option for those with defined contribution pensions to drawdown income from their funds, paying tax on this income at marginal rate of tax rather than the current 55%. From April 2016 this will be extended to pensioners who have already purchased an annuity allowing them to sell the income they receive from their annuity without unwinding the original annuity contract. The lifetime allowance for pension schemes will be reduced to £1m (previously £1.25m) from April 2016.

TAX CREDITS & CHILD BENEFITS

For those entitled to working tax credit you can claim the full amount up to annual earnings of £6,420 with the claim reduced by 41p for every £1 you earn over this figure. For child tax credit the income limit is now £16,105 (previously £16,010) with the same 41p deduction for every £1 over this limit.

Child benefit is reduced when one parent earns more than £5,000 and is tapered to nil at £60,000. The benefit will not reduce but will be clawed back via PAYE or on your tax return.

BENEFICIAL LOANS TO EMPLOYEES

The taxable threshold for cheap or interest free loans to employees is £10,000. Employers will not have to report details of small loans where the outstanding balance is £10,000 or less in a tax year.

COMPANY CAR & VAN BENEFITS

The taxable benefit in respect of a car provided by an employer is calculated by reference to the car's carbon dioxide emission rating, with a scale charge varying between 5% (below 50g/km) and 37% (over 210g/km) of the list price. There will be a supplementary charge for diesel cars of 3% (except those which meet the EU standard for cleaner cars registered before 1 January 2006). For more information on your specific car benefit visit <https://www.gov.uk/calculate-tax-on-company-cars>

Taxable benefits for a van will increase to £3,170, (previously £3,150), from 6 April 2016. There will be an additional charge of £598 (previously £594) if fuel is provided for private use by the employer.

CAR FUEL BENEFIT

The additional scale charge for the provision of private fuel increases to £22,200, previously £22,100, from 6 April 2016. The figure is multiplied by the appropriate car tax percentage to determine the taxable benefit. This is calculated by reference to the car's carbon dioxide emission rating and varies between 5% and 35% of £22,200.

APPROVED MILEAGE RATES 2014-15

	Up to 10,000 miles	Over 10,000 miles
All cars and vans	45p	25p
Passenger payment (carrying fellow employees) per employee	5p	5p
Motorbike / bicycles	24p / 20p	24p / 20p

KEY DATES IN TAX CALENDER

31 May 2016	Forms P60 to be given to employees by employers
6 July 2016	Forms P9D/P11D to be given to employees and to HM Revenue & Customs. Class 1A NIC payable by 19 July.
31 July 2016	Second interim payment of tax due for 2015-16
31 Oct 2016	Deadline for paper submission of tax return if self assessed
31 Dec 2016	Deadline for submission of tax return if you wish the tax to be collected in your tax code.
31 Jan 2017	Final deadline for electronic submission of tax return if self assessed Final payment of tax due for 2015-16. First interim payment of tax due for 2016-17.