

## THE BUDGET 8 MARCH 2017

### PERSONAL TAX

	Value of restricted		Value of restricted	
	2017-18	Allowance	2016-17	Allowance
	£	£	£	£
<b>PERSONAL ALLOWANCES</b>				
Personal allowance	11,500		11,000	
Blind person	2,320		2,290	
Upper income limit	100,000		100,000	
Married couple (one spouse born pre 6 April 1935)	8,445	844.50	8,355	835.50
Upper income limit for marriage allowance	28,000		27,700	

### INCOME TAX RATES

20%	0 - 33,500	0 - 32,000
40%	33,500 - 150,000	32,001 - 150,000
45%	Over 150,000	Over 150,000

A 0% band applies for interest 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. A savings allowance means that the first £1,000 of interest on savings (£500 for higher rate taxpayers) will be tax free. A new property and trading allowance for each will apply from April 2017 meaning that no tax will be payable if income (before expenses) from these sources is below £1,000.

The dividend allowance of £5,000 remains for 2017-18 but will be reduced to £2,000 from 6 April 2018. No tax is payable if dividends are below £5,000 per annum for 2017-18. 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 £123,000. A spouse who earns less than the personal allowance (£11,500) can transfer up to £1,150 to their spouse tax free, providing the recipient is not a higher rate taxpayer. The personal allowance will increase to £12,500 in 2020 with the basic rate band eventually going up to £37,500 which will mean in 2020 no higher rate tax will apply to income up to £50,000 (£45,000 for 2017-18).

### SAVERS

The limit to investments in ISA's has increased to £20,000 effective from April 2017 with flexibility on whether this is in cash or stocks and shares. 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.

A new NS&I bond offering 2.2% for 3 years will be available for 12 months from April 2017. The maximum that can be invested is £3,000.

### NATIONAL LIVING WAGE

For 25 and over year old workers the new national living wage applies from April 2017 of £7.50 an hour (prev £7.20)

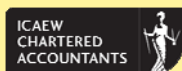
For 21 to 24 year old workers the rate is £7.05 an hour. (prev £6.95)

For 18 to 20 year old workers the rate is £5.60 an hour. (prev £5.55)

For 16 to 17 year old workers the rate is £4.05 an hour. (prev £4.00)

Apprentices are entitled to a wage of £3.50 an hour (prev £3.40)

Prepared by the team at C.E. Hill & Co. Ltd  
 9 March 2017



<b>SOCIAL SECURITY BENEFITS</b>		<b>2017-18</b>	<b>2016-17</b>
		<b>£ per week</b>	<b>£ per week</b>
Pension	Single 2.5% increase (2.5%)	<b>122.30</b>	119.30
	Married	<b>195.60</b>	190.80
Jobseekers allowance	over 25's	<b>73.10</b>	73.10
Child benefit	first child	<b>20.70</b>	20.70
	subsequent	<b>13.70</b>	13.70
Incapacity benefit	Long-term	<b>106.40</b>	105.35

People eligible to draw their state pension after 5th April 2016 will receive flat rate for 2017-18 of £159.55 per week (£8,297 pa). This figure will be indexed.

#### **NATIONAL INSURANCE**

##### **CLASS 1 2017-18**

##### **Employee - contracted in**

<b>Employee - contracted in</b>		<b>Employer - contracted in</b>	
Up to £157 p.w. (£8,164 pa)	Nil	Up to £157 p.w.	Nil
£157.01 to £866.00 p.w.	12%		
Above £866 p.w. (£45,000 pa)	2%	Above £157 p.w.	13.8%

For 2017-18, the monthly earnings before national insurance is due is £680 per month (£8,164 pa). The employment allowance for 2017-18 is £3,000 although single person companies will not qualify.

<b>CLASS 2 Self employed</b>	<b>2017-18</b>	<b>2016-17</b>
<b>On earnings over £6,025 (£5,965)</b>	<b>£ per week</b>	<b>£ per week</b>
	<b>2.85</b>	2.80
<b>CLASS 3 Voluntary - flat rate</b>	<b>14.25</b>	14.10
<b>CLASS 4 Self employed</b>		
2017-18	9% of profits between £8,164 and £45,000	
	2% of profits above £45,000	

Class 4 national insurance will increase to 10% from April 2018 and 11% from April 2019. Class 2 will be abolished from April 2018.

<b>STATUTORY SICK PAY (SSP)</b>	<b>2017-18</b>	<b>2016-17</b>
	<b>£ per week</b>	<b>£ per week</b>
Flat rate	<b>89.35</b>	88.45
<b>STATUTORY MATERNITY PAY (SMP)</b>		
First 6 weeks (% of average weekly earnings)	<b>90%</b>	90%
Remaining weeks - max 33	<b>140.98</b>	139.58
Rate is lower of 90% of average weekly earnings or £139.58		
<b>STATUTORY PATERNITY PAY (SPP)</b>		
Two weeks (as 33 weeks SMP payments)	<b>140.98</b>	139.58

#### **STATUTORY REDUNDANCY PAY**

The current statutory redundancy pay amount is the lower of either the actual weekly wage or £479 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 2016-17 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.

<b>CORPORATION TAX</b>	<b>2017-18 Profit</b>	<b>2017-18</b>	<b>2016-17 Profit £000's</b>	<b>2016-17</b>
	<b>£000's</b>			
Small profits' rate	<b>0 - 300</b>	<b>19%</b>	<b>0 - 300</b>	<b>20%</b>
Upper marginal rate	<b>300-1,500</b>	<b>19%</b>	<b>300-1,500</b>	<b>20%</b>
Standard rate	<b>over 1,500</b>	<b>19%</b>	<b>over 1,500</b>	<b>20%</b>

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

## CAPITAL ALLOWANCES

The Annual Investment Allowance (AIA) remains at £200,000 giving 100% relief for the first £200,000 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 2017) registration limit	<b>£85,000</b>	£83,000
Annual net turnover (effective 1 April 2017) deregistration limit	<b>£83,000</b>	£81,000
Flat rate registration limit	<b>£150,000</b>	£150,000
Flat rate deregistration limit	<b>£230,000</b>	£230,000
Cash and annual accounting registration limit	<b>£1,350,000</b>	£1,350,000
Cash and annual accounting deregistration limit	<b>£1,600,000</b>	£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' gradually by 2020. Taxpayers will be given a login and password to submit tax information quarterly 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. Unincorporated businesses above the VAT threshold will have to comply from April 2018 with those under the threshold having until April 2019. Limited companies that are VAT registered will have to comply from April 2019 and those that are not from April 2020.

### 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 starting with only 75% allowable as higher rate relief from April 2017 with the balance allowable at 25%. 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 remains at £7,500.

### 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

	2017-18	2016-17
Personal annual exemption (trustees)	<b>£11,300 (5,650)</b>	£11,100 (5,550)

Basic rate tax payers pay Capital Gains tax at 10% and higher rate tax payers at 20%.

There is an 8% surcharge for residential property reverting to the basic rate and higher rate levels 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 also applies to shareholdings in unlisted companies which have been held for more than 3 years.

## 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	<b>Nil</b>	Up to £150,000	<b>Nil</b>
	Next £125,000	<b>2%</b>	Next £100,000	<b>2%</b>
	Next £675,000	<b>5%</b>	Anything over £250,000	<b>5%</b>
	Next £575,000	<b>10%</b>		
Shares	Anything over £1.5m	<b>12%</b>		
		<b>0.5%</b> (No duty on amounts <£1,000)		
		<b>0.0%</b> (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. Buy to let or additional home purchases will still face a 3% increase to the above rates.

## EXCISE DUTY CHANGES

### Alcohol and tobacco

Cigarettes (pack of 20)	35p increase
Beer (per pint)	2p increase
Wine (per 75cl bottle)	10p increase
Spirits (per bottle)	36p increase
Suagr tax	18p increase

### 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			Standard
(VED Band) - CO2 Band	Change	Petrol & Diesel (£)	(VED Band) - CO2 Band	Change	Petrol & Diesel (£)
(A) - <100g	(no change)	0	(G) - 151-165g	+\$5	185
(B) - 101-110g	(no change)	20	(H) - 166-175g	+\$5	210
(C) - 111-120g	(no change)	30	(I) - 176-185g	+\$5	230
(D) - 121-130g	(no change)	110	(J) - 186-200g	+\$5	270
(E) - 131-140g	(no change)	130	(K) - 201-225g	+\$5	295
(F) - 141-150g	(no change)	145	(L) - 226-255g	+\$10	500

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

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%. This applies 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 remains at £1 million.

## 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 £16,105 with the same 41p deduction for every £1 over this limit. You can claim up to £2,780 per child and more for disabled and severely disabled children.

Child benefit is reduced when one parent earns more than £50,000 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. The official HMRC interest rate on these loans is 3%.

## 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 9% (below 50g/km) and 37% (over 190g/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 £3,230, (previously £3,170), from 6 April 2017. There will be an additional charge of £610 (previously £598) 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 £22,600, previously £22,200, from 6 April 2017. 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 £22,600.

## APPROVED MILEAGE RATES 2017-18

	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 2017	Forms P60 to be given to employees by employers
6 July 2017	Forms P9D/P11D to be given to employees and to HM Revenue & Customs. Class 1A NIC payable by 19 July.
31 July 2017	Second interim payment of tax due for 2016-17
31 Oct 2017	Deadline for paper submission of 2016-17 tax return if self assessed
31 Dec 2017	Deadline for submission of tax return if you wish the tax to be collected in your tax code.
31 Jan 2018	Final deadline for electronic submission of 2016-17 tax return if self assessed Final payment of tax due for 2016-17. First interim payment of tax due for 2017-18.