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Budget Summary 2017

Trinity Accountants Limited

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What does it mean for you?

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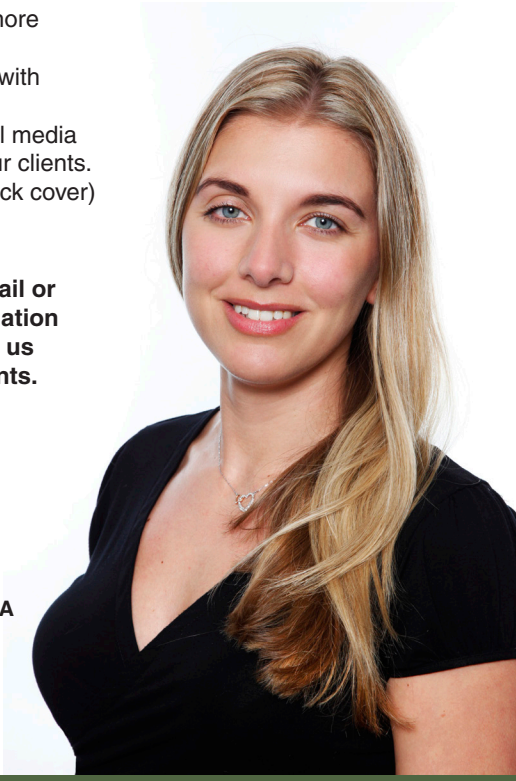
Modern, Friendly and Approachable…

Whether you are an established business or a new start-up looking for help to get your new venture off the ground, we think you'll find our approach refreshingly different to most accountants. We created Trinity Accountants with the deliberate aim of breaking the stereotype of a typical accountancy firm:

- We're friendly and approachable so our clients look forward to talking to us.
- We use cutting edge IT systems that make us more efficient than traditional accountancy firms.
- We keep everything simple and won't blind you with accounting jargon.
- We use new communication channels like social media (as well as traditional means) to engage with our clients.
- We offer a number of guarantees (see inside back cover)

Whether you need accountancy, tax or general business advice we can help. Why not call, email or tweet us (@trinityacc) for an informal, no-obligation chat today? Alternatively, come along and join us for a coffee at one of our local networking events.

We look forward to working with you.



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modern | friendly | approachable ...it's the Trinity difference!

The Chancellor Philip Hammond presented the last Spring Budget on Wednesday 8 March 2017

In his speech the Chancellor was keen to point out that he wanted the tax system to be fair, particularly in relation to the distinction between employed and self-employed individuals.

'But a fair system will also ensure fairness between individuals, so that people doing similar work for similar wages and enjoying similar state benefits pay similar levels of tax.'

In the Budget speech the Chancellor announced that he has requested a report to be delivered in the summer on the wider implications of different employment practices. Also the Budget included changes to NICs and the Dividend Allowance.

In December and January the government issued a number of the clauses, in draft, of Finance Bill 2017 together with updates on consultations.

The Budget updates some of these previous announcements and also proposes further measures. Some of these changes apply from April 2017 and some take effect at a later date.

Our summary focuses on the issues likely to affect you, your family and your business. To help you decipher what was said we have included our own comments. If you have any questions please do not hesitate to contact us for advice.

Main Budget tax proposals

Our summary concentrates on the tax measures which include:

- increases to the Class 4 National Insurance rates
- a reduction in the Dividend Allowance
- changes to the timing of Making Tax Digital for smaller businesses.

Previously announced measures include:

- increases to the personal allowance and basic rate band (a decreased band for Scottish residents)
- the introduction of the Apprenticeship Levy
- changes to corporation tax loss relief
- the introduction of an additional inheritance tax residence nil rate band
- changes for non-UK domiciled individuals.

The Budget proposals may be subject to amendment in a Finance Act. You should contact us before taking any action as a result of the contents of this summary.

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Personal Tax

The personal allowance

The personal allowance is currently £11,000. Legislation has already been enacted to increase the allowance to £11,500 for 2017/18.

Comment

A reminder that not everyone has the benefit of the full personal allowance. There is a reduction in the personal allowance for those with 'adjusted net income' over £100,000, which is £1 for every £2 of income above £100,000. So for 2016/17 there is no personal allowance where adjusted net income exceeds £122,000. For 2017/18 there will be no personal allowance available where adjusted net income exceeds £123,000.

Tax bands and rates

The basic rate of tax is currently 20%. The band of income taxable at this rate is £32,000 so that the threshold at which the 40% band applies is £43,000 for those who are entitled to the full personal allowance.

In 2017/18 the band of income taxable at the basic rate will be different for taxpayers who are resident in Scotland to residents elsewhere in the UK. The Scottish government has decided to reduce the band of income taxable at the basic rate to £31,500 so that the threshold at which the 40% band applies remains at £43,000.

In the rest of the UK, legislation has already been enacted to increase the basic rate band to £33,500 for 2017/18. The higher rate threshold will therefore rise to £45,000 in 2017/18.

The additional rate of tax of 45% remains payable on taxable income above £150,000 for all UK residents.

Tax bands and rates - dividends

Dividends received by an individual are subject to special tax rates. The first £5,000 of dividends are charged to tax at 0% (the Dividend Allowance). Dividends received above the allowance are taxed at the following rates:

- 7.5% for basic rate taxpayers
- 32.5% for higher rate taxpayers
- 38.1% for additional rate taxpayers.

Dividends within the allowance still count towards an individual's basic or higher rate band and so may affect the rate of tax paid on dividends above the £5,000 allowance.

To determine which tax band dividends fall into, dividends are treated as the last type of income to be taxed.

Reduction in the Dividend Allowance

The Dividend Allowance will be reduced from £5,000 to £2,000 from April 2018.

Comment

The government expect that even with the reduction in the Dividend Allowance to £2,000, 80% of 'general investors' will pay no tax on their dividend income. However, the reduction in the allowance will affect family company shareholders who take dividends in excess of the £2,000 limit. The cost of the restriction in the allowance for basic rate taxpayers will be £225 increasing to £975 for higher rate taxpayers and £1,143 for additional rate taxpayers.

Tax on savings income

Savings income is income such as bank and building society interest.

The Savings Allowance (SA) was first introduced for the 2016/17 tax year and applies to savings income. The available SA in a tax year depends on the individual's marginal rate of income tax. Broadly, individuals taxed at up to the basic rate of tax have an SA of £1,000. For higher rate taxpayers, the SA is £500 whilst no SA is due to additional rate taxpayers.

Individual Savings Accounts (ISAs)

The overall ISA savings limit is £15,240 for 2016/17 but will jump to £20,000 in 2017/18.

Lifetime ISA

A new Lifetime ISA will be available from April 2017 for adults under the age of 40. Individuals will be able to contribute up to £4,000 per year, between ages 18 and 50, and receive a 25% bonus from the government. Funds, including the government bonus, can be used to buy a first home at any time from 12 months after opening the account, and can be withdrawn from age 60 completely tax free.

Comment

The increase in the overall ISA limit to £20,000 for 2017/18 is partly due to the introduction of the Lifetime ISA. There will therefore be four types of ISAs for many adults from April 2017 - cash ISAs, stocks and shares ISAs, Innovative Finance ISAs (allowing investment into peer to peer loans) and the Lifetime ISA. Money can be placed into one of each kind of ISA each tax year.

There is a fifth type of ISA – a Help to Buy ISA. Help to Buy ISAs are a type of cash ISA and potentially provide a bonus to savers if the funds are used to help to buy a first home.

Money Purchase Annual Allowance

The Money Purchase Annual Allowance (MPAA) will be reduced from £10,000 to £4,000 from 6 April 2017.

The MPAA counters an individual using the flexibilities around accessing a money purchase pension arrangement as a means to avoid tax on their current earnings, by diverting their salary into their pension scheme, gaining tax relief, and then effectively withdrawing 25% tax free. It also restricts the extent to which individuals can gain a second round of tax relief by withdrawing savings and reinvesting them into their pension. The MPAA is currently £10,000 and applies to individuals who have flexibly accessed their money purchase pension savings.

Comment

The 'annual allowance' sets the maximum amount of tax efficient pension contributions. The normal annual allowance is £40,000. The Money Purchase Annual Allowance was introduced in 2015, to restrict the annual allowance to £10,000 when an individual has taken income from a pension scheme.

Phased roll out of Tax-Free Childcare

The Chancellor has confirmed that Tax-Free Childcare will be rolled out from April 2017. Tax-Free Childcare will be gradually rolled out for children under 12.

Under the scheme the relief will be 20% of the costs of childcare up to a total of £10,000 per child per year. The scheme will therefore be worth a maximum of £2,000 per child (£4,000 for a disabled child). It is expected that all parents in the household will have to meet the following conditions:

- meet a minimum income level based on the equivalent of working 16 hours a week at National Minimum Wage or National Living Wage rates
- each earn less than £100,000 a year and
- not already be receiving support through tax credits or Universal Credit.

The existing scheme, Employer-Supported Childcare, will remain open to new entrants until April 2018 to support the transition between the schemes.

Comment

The government has also confirmed that from September 2017, the free childcare offer will double from 15 to 30 hours a week for working families with three and four year olds in England. In total this is worth up to £5,000 for each child.

Universal Credit

Universal Credit is a state benefit designed to support those on low income or out of work.

An individual's entitlement to the benefit is made up of a number of elements to reflect their personal circumstances. Their entitlement is tapered at a rate of 65% where claimants earn above the work allowances. The current taper rate for those who claim Universal Credit means their credit will be withdrawn at a rate of 65 pence for every extra £1 earned.

From April 2017, the taper rate that applies to Universal Credit will be reduced from 65% to 63%.

Property and trading income allowances

From April 2017, the government will introduce new £1,000 allowances for property and trading income. Individuals with property or trading income below £1,000 will no longer need to declare or pay tax on that income. Those with income above the allowance will be able to calculate their taxable profit either by deducting their expenses in the normal way or by simply deducting the relevant allowance. The trading allowance will also apply to certain miscellaneous income from providing assets or services. Any income which attracts rent-a-room relief will not be eligible for either of the allowances.

Business Tax

Making Tax Digital for Business (MTDfB)

Extensive changes to how taxpayers record and report income to HMRC are being introduced under a project entitled Making Tax Digital for Business.

The government has decided how the general principles of MTDfB will operate. Draft legislation has been issued on some aspects and more will be published in Finance Bill 2017.

Under MTDfB, businesses, self-employed people and landlords will be required to:

- maintain their records digitally, through software or apps
- report summary information to HMRC quarterly through their 'digital tax accounts' (DTAs)
- make an 'End of Year' declaration through their DTAs.

DTAs are like online bank accounts - secure areas where a business can see all of its tax details in one place and interact with HMRC digitally.

Comment

The End of Year declaration will be similar to the online submission of a self assessment tax return but may be required to be submitted earlier than a tax return. Businesses will have 10 months from the end of their period of account (or 31 January following the tax year – the due date for a self assessment tax return - if sooner).

Exemptions

Businesses, self-employed people and landlords with turnovers under £10,000 are exempt from these requirements.

Changes announced in the Budget

The government has now announced a one year deferral from the mandating of MTDfB for unincorporated businesses and unincorporated landlords with turnovers below the VAT threshold. For those that have turnovers in excess of the VAT threshold the commencement date will be from the start of accounting periods which begin after 5 April 2018.

Cash basis for unincorporated landlords

As part of the wider proposals for Making Tax Digital, the government has decided that, from April 2017, many unincorporated property businesses will compute taxable profits for the purposes of income tax on a cash basis rather than the usual accruals basis.

The cash basis means a business will account for income and expenses when the income is received and expenses are paid. The accruals basis means accounting for income over the period to which it relates and accounting for expenses in the period for which the liability is incurred.

For affected property businesses, the cash basis will first apply for the 2017/18 tax year which means that a tax return for 2017/18, which has to be submitted by 31 January 2019, will be the first one submitted on the new basis.

Not all property businesses will move to the cash basis:

- property businesses will remain on the accruals basis if their cash basis receipts are more than £150,000
- there is an option to elect out of cash basis accounting and to use accruals basis instead
- the cash basis does not apply to property businesses carried out by a company, an LLP, a corporate firm (ie a partner in the firm is not an individual), the trustees of a trust or the personal representatives of a person.

Cash basis for unincorporated businesses

The government is also extending the cash basis option for the self-employed and trading partnerships. The cash receipts threshold for being able to move to the cash basis will increase from the current £83,000 to £150,000 and the threshold for having to move back to the accruals basis will increase to £300,000 from April 2017.

Currently, the rules for the calculation of profits under cash basis accounting do not allow a deduction for expenditure of a capital nature, unless that expenditure qualifies for plant and machinery capital allowances under ordinary tax rules. This results in taxpayers needing to consider whether items are capital in nature, and whether they qualify for capital allowances. New rules will be introduced that list types of expenditure which will or will not be allowed as a tax deduction.

It is proposed these changes will come into effect from the 2017/18 tax year.

Comment

There is no requirement for traders to switch to the cash basis. There are potential problems in adopting the cash basis including restrictions on interest relief on business finance and special calculations which need to be performed on moving to the cash basis. We can, of course, advise you of the issues involved.

Corporation tax rates

Corporation tax rates have already been enacted for periods up to 31 March 2021.

The main rate of corporation tax is currently 20%. The rate will then be reduced as follows:

- 19% for the Financial Years beginning on 1 April 2017, 1 April 2018 and 1 April 2019
- 17% for the Financial Year beginning on 1 April 2020.

Corporate tax loss relief

Currently, a company is restricted in the type of profit which can be relieved by a loss if the loss is brought forward from an earlier accounting period. For example, a trading loss carried forward can only relieve future profits from the same trade. Changes are proposed which will mean that losses arising on or after 1 April 2017, when carried forward, will be useable against profits from other income streams or other companies within a group. This will apply to most types of losses but not to capital losses.

However, from 1 April 2017, large companies will only be able to use losses carried forward against up to 50% of their profits above £5 million. For groups, the £5 million allowance will apply to the group.

Class 4 National Insurance contributions (NICs)

It had already been announced in the 2016 Budget that Class 2 NICs will be abolished from April 2018. The government will now also legislate to increase the main rate of Class 4 NICs from 9% to 10% with effect from 6 April 2018 and from 10% to 11% with effect from 6 April 2019.

Comment

Both employed and self-employed earners who reached state pension age from 6 April 2016 have access to the same flat rate state pension. This means that the self-employed have gained £1,800 a year more than under the previous system. The government therefore think it is fair that the NIC differential between them is reduced as employees are paying 12%.

Research and development (R&D)

There are two types of tax reliefs for eligible R&D expenditure. Under one of these, qualifying companies can claim a taxable credit of 11% in relation to eligible R&D expenditure. This is known as the Research and Development Expenditure Credit (RDEC). To further support investment, the government will make administrative changes to the RDEC to increase the certainty and simplicity around claims and will take action to improve awareness of R&D tax credits among small and medium-sized enterprises.

Appropriations to trading stock

From 8 March 2017, the government will remove the ability for businesses to convert capital losses into trading losses when appropriating a capital asset to trading stock.

Disposals of land in the UK

The government will amend legislation to ensure that all profits realised by offshore property developers developing land in the UK, including those on pre-existing contracts, are subject to tax, with effect from 8 March 2017. This extends legislation introduced in Finance Act 2016.

Substantial shareholding exemption (SSE) reform

Changes are proposed to some of the qualifying conditions for the SSE. The good news is that the changes remove some of the obstacles of qualifying for SSE.

- The condition that the investing company is required to be a trading company or part of a trading group is being removed.
- The condition that the investment must have been held for a continuous period, at a minimum of 12 months in the two years preceding the sale is being extended to a continuous period of 12 months in the six years preceding the sale.
- The condition that the company in which the shares are sold continues to be a qualifying company immediately after the sale, is withdrawn, unless the sale is to a connected party.
- For a class of investors defined as Qualifying Institutional Investors, the condition that the company in which the shares were sold is a trading company has also been removed. The draft legislation contains a list of Qualifying Institutional Investors.

The changes have effect for disposals on or after 1 April 2017.

Restrictions on residential property interest

Legislation has already been enacted to restrict interest relief for landlords.

From 6 April 2017, landlords will no longer be able to deduct all of their finance costs from their property income. They will instead receive a basic rate reduction from their income tax liability for these finance costs. Finance costs include mortgage interest, interest on loans to buy furnishings and fees incurred when taking out or repaying loans or mortgages.

The restriction will be phased in with 75% of finance costs being allowed in 2017/18, 50% in 2018/19, 25% in 2019/20 and be fully in place for 2020/21. The remaining finance costs for each year will be given as a basic rate tax reduction but cannot create a tax refund.

These restrictions apply to:

- UK resident individuals that let residential properties in the UK or overseas
- non-UK resident individuals that let residential properties in the UK
- individuals who let such properties in partnership
- trustees or beneficiaries of trusts liable for income tax on the property profits.

UK and non-UK resident companies are not affected nor landlords of 'Furnished Holiday Lettings'.

Enlarging Social Investment Tax Relief

Significant amendments to the Social Investment Tax Relief (SITR) will be legislated for in Finance Bill 2017 to:

- increase the amount of investment a social enterprise may receive over its lifetime to £1.5 million, for social enterprises that receive their initial risk finance investment no later than seven years after their first commercial sale. The current limit will continue to apply to older social enterprises
- reduce the limit on full-time equivalent employees to below 250 employees
- exclude certain activities, including asset leasing and on-lending. Investment in nursing homes and residential care homes will be excluded initially. However the government intends to introduce an accreditation system to allow such investment to qualify for SITR in future
- exclude the use of money raised under the SITR to pay off existing loans
- clarify that individuals will be eligible to claim relief under the SITR only if they are independent from the social enterprise
- introduce a provision to exclude investments where arrangements are put in place with the main purpose of delivering a benefit to an individual or party connected to the social enterprise.

The changes will take effect for investments made on or after 6 April 2017.

Employment Taxes

Off-payroll working in the public sector

As previously announced, from 6 April 2017, new tax rules potentially affect individuals who provide their personal services via their own companies (PSCs) to an organisation which has been classified as a 'public authority'.

The effect of these rules, if they apply, will mean:

- the public authority (or an agency paying the PSC) will calculate a 'deemed payment' based on the fees the PSC has charged for the services of the individual
- the entity that pays the PSC for the services must first deduct PAYE and employee National Insurance contributions (NICs) as if the deemed payment is a salary payment to an employee
- the paying entity will have to pay to HMRC not only the PAYE and NICs deducted from the deemed payment but also employer NICs on the deemed payment
- the net amount received by the PSC can be passed onto the individual without paying any further PAYE and NICs.

Public sector organisations include government departments and their executive agencies, many companies owned or controlled by the public sector, universities, local authorities, parish councils and the National Health Service.

The new rules operate in respect of payments made on or after 6 April 2017. This means that they are relevant to contracts entered into before 6 April 2017 but where the payment for the work is made after 6 April 2017.

Comment

Where individuals are working through their PSC for private sector clients, the new rules will not apply to income from such work.

It is for the public authority to decide if the deemed payment rules apply. To help all parties determine whether these rules apply, HMRC have provided an online employment status tool. There is no formal right of appeal to HMRC or the Tax Tribunals by the individual or the PSC. If a new contract is entered into after 6 April 2017, the expectation would be that the PSC would agree the treatment within the initial contract. If it is an existing contract a discussion will need to take place with the public authority as to the reasons for its decision.

Apprenticeship levy and apprenticeship funding

Larger employers (or connected employers treated as large) will be liable to pay the apprenticeship levy from April 2017. The levy is set at a rate of 0.5% of an employer's pay bill, which is broadly total employee earnings excluding benefits in kind, and will be paid along with other PAYE deductions. Each employer receives an annual allowance of £15,000 to offset against their levy payment. This means that the levy will only be paid on any pay bill in excess of £3 million in a year.

Employers only need to report on the levy where they have a pay bill of £3 million in the current tax year or consider that the pay bill will be over £3 million during the 2017/18 tax year.

The levy will be used to provide funding for apprenticeships and there will be changes to the funding for apprenticeship training for all employers as a consequence. Each country in the UK has its own apprenticeship authority and each is making changes to its scheme.

Different forms of remuneration

The government is consulting on the following:

Taxation of benefits in kind

The government will publish a call for evidence on exemptions and valuation methodology for the income tax and employer NICs treatment of benefits in kind, in order to better understand whether their use in the tax system can be made fairer and more consistent.

Accommodation benefits

The government will publish a consultation with proposals to bring the tax treatment of employer-provided accommodation and board and lodgings up to date. This will include proposals for when accommodation should be exempt from tax and to support taxpayers during any transition.

Employee expenses

The government will publish a call for evidence to better understand the use of the income tax relief for employees' expenses, including those that are not reimbursed by their employer.

Comment

Employers can choose to remunerate their employees in a range of different ways but, in the view of the government, the tax system may treat these forms of remuneration inconsistently. The government is therefore considering how the tax system 'could be made fairer and more coherent'.

Salary sacrifice

Legislation will limit the income tax and employer NICs advantages where:

- benefits in kind are offered through salary sacrifice or
- the employee can choose between cash allowances and benefits in kind.

The taxable value of benefits in kind where cash has been forgone will be fixed at the higher of the current taxable value or the value of the cash forgone.

The new rules will not affect employer-provided pension saving, employer-provided pensions advice, childcare vouchers, workplace nurseries, or Cycle to Work. Following consultation, the government has also decided to exempt Ultra-Low Emission Vehicles, with emissions under 75 grams of CO_2 per kilometre.

This change will take effect from 6 April 2017. Those already in salary sacrifice contracts at that date will become subject to the new rules in respect of those contracts at the earlier of:

- an end, change, modification or renewal of the contract
- 6 April 2018, except for cars, accommodation and school fees, when the last date is 6 April 2021.

Comment

Employers and employees may wish to review their flexible remuneration packages prior to 6 April 2017.

Changes to termination payments

Changes from 6 April 2018 will align the rules for tax and employer NICs by making an employer liable to pay NICs on any part of a termination payment that exceeds the £30,000 threshold. It is anticipated that this will be collected in 'real-time'.

In addition, all payments in lieu of notice (PILONs) will be both taxable and subject to Class 1 NICs. This will be done by requiring the employer to identify the amount of basic pay that the employee would have received if they had worked their notice period, even if the employee leaves the employment part way through their notice period. This amount will be treated as earnings and will not be subject to the £30,000 exemption.

Finally, the exemption known as foreign service relief will be removed and a clarification made to ensure that the exemption for injury does not apply in cases of injured feelings.

National Minimum Wage and National Living Wage increases

The Chancellor confirmed that the National Living Wage (NLW) rate will be increased from 1 April 2017. Increases are also being made to the National Minimum Wage (NMW) rates. The NLW applies to workers aged 25 and over. The NMW applies to other workers provided they are at least school leaving age.

Rate from:	1 October 2016	1 April 2017
NLW for workers aged 25 and over	£7.20*	£7.50
NMW main rate for workers aged 21-24	£6.95	£7.05
NMW 18-20 rate	£5.55	£5.60
NMW 16-17 rate	£4.00	£4.05
NMW apprentice rate**	£3.40	£3.50

* introduced and applies from 1 April 2016
**the apprentice rate applies to apprentices under 19 or 19 and over and in the first year of their apprenticeship.

Capital Taxes

Capital gains tax (CGT) rates

The current rates of CGT are 10%, to the extent that any income tax basic rate band is available, and 20% thereafter. Higher rates of 18% and 28% apply for certain gains; mainly chargeable gains on residential properties that do not qualify for private residence relief.

The rate for disposals qualifying for Entrepreneurs' Relief is 10% with a lifetime limit of £10 million for each individual. Entrepreneurs' Relief is targeted at working directors and employees of companies who own at least 5% of the ordinary share capital in the company and the owners of unincorporated businesses. In 2016/17 a new relief, Investors' Relief, was introduced which also provides a 10% rate with a lifetime limit of £10 million for each individual. The main beneficiaries of this relief are external investors in unquoted trading companies.

CGT annual exemption

The CGT annual exemption is £11,100 for 2016/17 and will be increased to £11,300 for 2017/18.

Inheritance tax (IHT) nil rate band

The nil rate band has remained at £325,000 since April 2009 and is set to remain frozen at this amount until April 2021.

IHT residence nil rate band

Legislation has already been enacted to introduce an additional nil rate band for deaths on or after 6 April 2017, where an interest in a main residence passes to direct descendants. The amount of relief is being phased in over four years; starting at £100,000 in the first year and rising to £175,000 for 2020/21. For many married couples and civil partners the relief is effectively doubled as each individual has a main nil rate band and each will potentially benefit from the residence nil rate band.

The additional band can only be used in respect of one residential property, which does not have to be the main family home, but must at some point have been a residence of the deceased. Restrictions apply where estates are in excess of £2 million.

Where a person dies before 6 April 2017, their estate will not qualify for the relief. A surviving spouse may be entitled to an increase in the residence nil rate band if the spouse who died earlier has not used, or was not entitled to use, their full residence nil rate band. The calculations involved are potentially complex but the increase will often result in a doubling of the residence nil rate band for the surviving spouse.

Downsizing

The residence nil rate band may also be available when a person downsizes or ceases to own a home on or after 8 July 2015 where assets of an equivalent value, up to the value of the residence nil rate band, are passed on death to direct descendants.

Comment

From April 2017 we have three nil rate bands to consider. The standard nil rate band has been a part of the legislation from the start of IHT in 1986. In 2007 the ability to utilise the unused nil rate band of a deceased spouse was introduced enabling many surviving spouses to have a nil rate band of up to £650,000. By 6 April 2020 some surviving spouses will be able to add £350,000 in respect of the residence nil rate band to arrive at a total nil rate band of £1 million.

Individuals will need to revisit their wills to ensure that the relief will be available and efficiently utilised.

Non-UK domiciles

A number of changes are to be made from 6 April 2017:

- for individuals who are non-UK domiciled but who have been resident for 15 of the previous 20 tax years or
- where an individual was born in the UK with a UK domicile of origin and resumes UK residence having obtained a domicile of choice elsewhere.

Such individuals will be classed as 'deemed' UK domiciles for income tax, CGT and IHT purposes. For income tax and CGT, a deemed UK domicile will be assessable on worldwide arising income and gains. They will not be able to access the remittance basis. For IHT, a deemed UK domicile is chargeable on worldwide assets rather than only on UK assets.

Legislation will allow a non-UK domiciled individual who has been taxed on the remittance basis to transfer amounts between overseas mixed fund bank accounts without being subject to the offshore transfer rules. This will allow the different elements within the accounts to be separated, thereby allowing clean capital to be remitted to the UK in priority to income and gains.

The draft legislation also provides that the market value of an asset at 5 April 2017 will be able to be used as the acquisition cost for CGT purposes when computing the gain or loss on its disposal where the asset was situated outside the UK between 16 March 2016 and 5 April 2017. This will apply to any individual who becomes a deemed UK domicile in April 2017, other than one who is born in the UK with a UK domicile of origin.

Non-UK domiciles who set up an overseas resident trust before becoming a deemed UK domicile will generally not be taxed on any income and gains retained in that trust and the trust remains non chargeable property for IHT purposes. However, there are a number of changes which modify the tax treatment on the occurrence of certain events for settlor interested overseas asset trusts.

UK residential property

Changes are also proposed for UK residential property. Currently all residential property in the UK is within the charge to IHT if owned by a UK or non-UK domiciled individual. It is proposed that all residential properties in the UK will be within the charge to IHT where they are held within an overseas structure. This charge will apply whether the overseas structure is held by an individual or trust.

Business Investment Relief

The government will change the rules for the Business Investment Relief scheme from April 2017 to make it easier for non-UK domiciled individuals, who are taxed on the remittance basis, to bring offshore money into the UK for the purpose of investing in UK businesses. The government will continue to consider further improvements to the rules for the scheme to attract more capital investment in UK businesses by non-UK domiciled individuals.

Other Matters

Business rates

Business rates have been devolved to Scotland, Northern Ireland and Wales. The business rates revaluation takes effect in England from April 2017 and will result in significant changes to the amount of rates that businesses will pay. The government announced £3.6 billion of transitional relief in November 2016. The Chancellor has now announced £435 million of further support for businesses. This includes:

- support for small businesses losing Small Business Rate Relief to limit increases in their bills to the greater of £600 or the real terms transitional relief cap for small businesses each year
- providing English local authorities with funding to support £300 million of discretionary relief, to allow them to provide support to individual cases in their local area.

The government will also introduce a £1,000 business rate discount for public houses with a rateable value of up to £100,000, for one year from 1 April 2017. This is subject to state aid limits for businesses with multiple properties.

Tax avoidance and evasion measures

In addition to measures specifically referred to earlier in this summary, other measures announced include:

Qualifying recognised overseas pension schemes (QROPS)

The government will introduce a 25% charge on transfers to QROPS. This charge is targeted at those seeking to reduce the tax payable by moving their pension wealth to another jurisdiction. Exceptions will apply to the charge allowing transfers to be made tax free where people have a genuine need to transfer their pension, including when the individual and the pension are both located within the European Economic Area.

VAT: fraud in the provision of labour in the construction sector

The government will consult on options to combat missing trader VAT fraud in the provision of labour in the construction sector, in particular, applying the reverse charge mechanism so the recipient accounts for VAT.

Employment Allowance

HMRC are actively monitoring National Insurance Employment Allowance compliance following reports of some businesses using avoidance schemes to avoid paying the correct amount of NICs. The government will consider taking further action in the event that this avoidance continues.

Rates and Allowances 2017/18

INCOME TAX RATES

2017/18		2016/17	
Band £	**Rate %**	**Band £**	**Rate %**
0 - 5,000	0*	0 - 5,000	0*
0 - 33,500†	20**	0 - 32,000	20**
33,501† - 150,000	40♦	32,001 - 150,000	40♦
Over 150,000	45●	Over 150,000	45●

†**For Scottish taxpayers only the limit is £31,500.**
*Only applicable to savings income. The rate is not available if taxable non-savings income exceeds £5,000. £1,000 of savings income for basic rate taxpayers (£500 for higher rate) may be tax free.

**Except dividends 7.5%. ♦Except dividends 32.5%. ●Except dividends 38.1%.
Other income taxed first, then savings income and finally dividends. The first £5,000 of dividends are tax free.

INCOME TAX RELIEFS

	2017/18	2016/17
Personal allowance	£11,500**	£11,000**

(Reduce personal allowance by £1 for every £2 of adjusted net income over £100,000.) **£1,150 (£1,100) may be transferable between certain spouses where neither pay tax above the basic rate.

Married couple's allowance (relief at 10%)*	£8,445	£8,355
(Either partner 75 or over and born before 6 April 1935.)		
- min. amount	£3,260	£3,220
*Age allowance income limit	£28,000	£27,700

(Reduce age allowance by £1 for every £2 of adjusted net income over £28,000 (£27,700).)

Blind person's allowance	£2,320	£2,290

PENSION PREMIUMS

2017/18

Tax relief available for personal contributions: higher of £3,600 (gross) or 100% of relevant earnings (max. £40,000). Any contributions in excess of £40,000, whether personal or by the employer, may be subject to income tax on the individual. The £40,000 limit may be reduced where 'adjusted income' exceeds £150,000.

The limit may be reduced to £4,000 once money purchase pensions are accessed. Where the £40,000 limit is not fully used it may be possible to carry the unused amount forward for three years.

Employers will obtain tax relief on employer contributions if they are paid and made 'wholly and exclusively'.

CAPITAL GAINS TAX

	2017/18**	2016/17**
Individuals	**£**	**£**
Exemption	11,300	11,100
Standard rate	10%	10%
Higher rate*	20%	20%
Trusts		
Exemption	5,650	5,550
Rate	20%	20%

*For higher and additional rate taxpayers.
**Higher rates (18/28%) may apply to the disposal of certain residential property and carried interest.

Entrepreneurs' Relief and Investors' Relief

The first £10m of qualifying gains are charged at 10%. Gains in excess of the limit are charged at the rates detailed above.

CAR, VAN AND FUEL BENEFITS

CO_2 emissions (gm/km) (round down to nearest 5gm/km)	% of car's list price taxed
0-50*	9
51-75*	13
76-94*	17
95	18
100	19
105	20
110	21
115	22
120	23
125	24
130	25
135	26
140	27
145	28
150	29
155	30
160	31
165	32
170	33
175	34
180	35
185	36
190 and above	37

2017/18

Company cars

For diesel cars add a 3% supplement but maximum still 37%.

For cars registered before 1 January 1998 the charge is based on engine size.

The list price includes accessories and is not subject to an upper limit.

The list price is reduced for capital contributions made by the employee up to £5,000.

Special rules may apply to cars provided for disabled employees.

*Rounding down to the nearest 5gm/km does not apply.

Car fuel benefit 2017/18

£22,600 x 'appropriate percentage'*

*Percentage used to calculate the taxable benefit of the car for which the fuel is provided.
The charge does not apply to certain environmentally friendly cars.
The charge is proportionately reduced if provision of private fuel ceases part way through the year. The fuel benefit is reduced to nil only if the employee pays for all private fuel.

Van benefit per vehicle 2017/18

Van benefit £3,230	Fuel benefit £610

The charges do not apply to vans if a 'restricted private use condition' is met throughout the year.
A reduced charge may be due if the van cannot in any circumstances emit CO_2 by being driven.

MILEAGE ALLOWANCE PAYMENTS

2017/18 and 2016/17

Cars and vans	Rate per mile
Up to 10,000 miles	45p
Over 10,000 miles	25p
Bicycles	20p
Motorcycles	24p

These rates represent the maximum tax free mileage allowances for employees using their own vehicles for business. Any excess is taxable. If the employee receives less than the statutory rate, tax relief can be claimed on the difference.

INDIVIDUAL SAVINGS ACCOUNTS

	2017/18	2016/17
Overall investment limit	£20,000	£15,240
Junior account limit	£4,128	£4,080

VALUE ADDED TAX

Standard rate	20%
Reduced rate	5%
Annual Registration Limit-from 1.4.17 (1.4.16 - 31.3.17 £83,000)	£85,000
Annual Deregistration Limit-from 1.4.17 (1.4.16 - 31.3.17 £81,000)	£83,000

STATUTORY PAY RATES

Weekly benefit		2017/18	2016/17
Basic retirement pension	- single person	£122.30	£119.30
	- married couple	£195.60	£190.80
New state pension		£159.55	£155.65
Statutory pay rates - average weekly earnings		£113 (£112) or over	
Statutory Sick Pay		£89.35	£88.45
Statutory Maternity and	- first six weeks	90% of weekly earnings	
Adoption Pay	- next 33 weeks	£140.98*	£139.58*
Statutory Paternity Pay	- two weeks	£140.98*	£139.58*

*Or 90% of weekly earnings if lower.

CAPITAL ALLOWANCES

Plant and machinery - Annual Investment Allowance (AIA)

The AIA gives a 100% write-off on most types of plant and machinery costs, including integral features and long life assets but not cars, of up to £200,000 p.a.

Any costs over the AIA fall into the normal capital allowance pools below. The AIA may need to be shared between certain businesses under common ownership.

Other plant and machinery allowances - The annual rate of allowance is 18%. An 8% rate applies to expenditure incurred on integral features and on long life assets.

A 100% first year allowance may be available on certain energy efficient plant and cars.

Cars - For expenditure incurred on cars, costs are generally allocated to one of the two plant and machinery pools. Cars with CO_2 emissions not exceeding 130gm/km receive an 18% allowance p.a. Cars with CO_2 emissions over 130gm/km receive an 8% allowance p.a. The emissions figure is reduced to 110gm/km for expenditure incurred on or after 1 April 2018.

NATIONAL INSURANCE

2017/18 Class 1 (employed) rates

Employee		Employer**	
Earnings per week	**%**	**Earnings per week****	**%**
Up to £157	Nil*	Up to £157	Nil
£157.01 - £866	12	Over £157	13.8**
Over £866	2		

*Entitlement to contribution-based benefits retained for earnings between £113 and £157 per week.

**The rate is 0% for employees under 21 and apprentices under 25 on earnings up to £866 per week.

Class 1A (employers)	13.8% on employee taxable benefits
Class 1B (employers)	13.8% on PAYE Settlement Agreements
Class 2 (self-employed)	flat rate per week £2.85 small profits threshold £6,025 p.a.
Class 3 (voluntary)	flat rate per week £14.25
Class 4 (self-employed)	9% on profits between £8,164 and £45,000 plus 2% on profits over £45,000

INHERITANCE TAX

Death rate	Lifetime rate	Chargeable transfers 2017/18 and 2016/17
Nil	Nil	0 - £325,000 (nil rate band)
40%	20%	Over £325,000

For 2017/18, a further nil rate band of £100,000 may be available in relation to current or former residences. Nil rate bands of surviving spouses/civil partners may be increased by unused nil rate bands of deceased spouses/civil partners.

Reliefs

Annual exemption	£3,000	Marriage	- parent	£5,000
Small gifts	£250		- grandparent	£2,500
			- bride/groom	£2,500
			- other	£1,000

Reduced charge on gifts within seven years of death

Years before death	0-3	3-4	4-5	5-6	6-7
% of death charge	100	80	60	40	20

CORPORATION TAX

Year to 31.3.18		Year to 31.3.17	
Profits band £	**Rate %**	**Profits band £**	**Rate %**
All profits	19	All profits	20

Different rates apply for ring-fenced (broadly oil industry) profit.

STAMP DUTY AND STAMP DUTY LAND TAX

Land and buildings in England, Wales and N. Ireland

Rate♦	Residential♦	Non-residential	Rate
%	£	£	%
0	0 - 125,000	0 - 150,000	0
2	125,001 - 250,000	150,001 - 250,000	2
5	250,001 - 925,000	Over 250,000	5
10	925,001 - 1,500,000		
12	Over 1,500,000		

The rates apply to the portion of the total value which falls within each band.

♦Rates may be increased by 3% where further residential properties costing £40,000 or over are acquired.

SDLT is charged at 15% on interests in residential dwellings costing more than £500,000 purchased by certain non-natural persons.

Shares and securities - rate 0.5%.

LAND AND BUILDINGS TRANSACTION TAX

Land and buildings in Scotland

Rate♦	Residential♦	Non-residential	Rate
%	£	£	%
0	0 - 145,000	0 - 150,000	0
2	145,001 - 250,000	150,001 - 350,000	3
5	250,001 - 325,000	Over 350,000	4.5
10	325,001 - 750,000		
12	Over 750,000		

The rates apply to the portion of the total value which falls within each band.

♦Rates may be increased by 3% where further residential properties costing £40,000 or over are acquired.

This summary is published for the information of clients. It provides only an overview of the main proposals announced by the Chancellor of the Exchequer in his Budget Statement, and no action should be taken without consulting the detailed legislation or seeking professional advice. Therefore no responsibility for loss occasioned by any person acting or refraining from action as a result of the material contained in this summary can be accepted by the authors or the firm.

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