



AUTUMN 2017 Budget – Newsletter

Personal Tax

Personal Allowance and Higher Rate Threshold

In 2018-19 the personal will increase, to £11,850.

The higher rate tax threshold will therefore effectively start at 46,350.

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 2018/19 there will be no personal allowance available where adjusted net income exceeds £123,700.

	2018/19	2017/18	2018/19	2017/18
£1-£34,500	£1-£34,500	£1-£33,500	20%	20%
£34,501-£150,000	£34,501-£150,000	£33,501-£150,000	40%	40%
Over £150,000	Over £150,000	Over £150,000	45%	45%

Dividend Allowance Reduction

The tax-free 0% band for dividend income reduces from £5,000 to £2,000 from April 2018.

This measure will particularly hit small business owners' who draw some of their remuneration through dividends, rather than salary. 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.

The Marriage Allowance

Certain couples, where neither pay tax at more than the basic rate, can transfer 10% of their unused personal allowance to their spouse or civil partner, effectively saving up to £230 per annum (2017/18). The government is to allow Marriage Allowance claims on behalf of deceased spouses and civil partners, to be backdated for up to four years where the entitlement conditions are met. This measure will come into force on 29 November 2017.

ISAS's

The annual ISA limit of £20,000 is unchanged from 2017/18.

Pension Allowance

The lifetime allowance for pension savings will increase in line with CPI to £1,030,000 for 2018/19.

Capital Gains Tax

The CGT annual exemption (£11,300 for 2017/18) will be increased to £11,700 for 2018/19.

Employment and Benefits in Kind

National living wage (NLW)

The NLW will increase from £7.50 to £7.83 from April 2018.

Cars provided by employers

Most cars are taxed by reference to bands of CO2 emissions: The maximum charge is currently capped at 37% of the list price of the car. The government is to increase the diesel supplement from 3% to 4%. This will apply to all diesel cars registered from 1 January 1998 that do not meet the Real Driving Emissions Step 2 (RDE2) standards: and the change will have effect from 6th April 2018.

Reform of Tax Treatment of Termination Payments

The Government is to tighten and clarify the tax treatment of termination payments. This will include making all contractual and non-contractual payments in lieu of notice taxable as earnings: and require employers to tax the equivalent of an employee's basic pay if notice is not worked. NICs treatment of termination payments will be aligned with tax and be payable on the elements of the termination payment exceeding £30,000. These changes are now delayed and will take effect from 6 April 2019. The first £30,000 of a termination payment will remain exempt from income tax and NICs.

Future Proposals

The government plans to bring in an exemption for employers providing electricity in the workplace to prevent it from being taxed as a benefit in kind from April 2018, i.e. workplace charging points for electric or hybrid cars owned by employees.

The government is to publish a consultation (as part of its response to Matthew Taylor's review of modern working practices) considering options for reform to make the employment status tests clearer for both employment rights and tax.

This brief summary covers some of the budget changes; you are advised to further take professional advice before acting.



Business Taxes

National Insurance for the Self-Employed

The government plans to abolish Class 2 NIC has been delayed: and will now take effect from April, 2019. It has also now confirmed that its controversial plans to increase the % rate of Class 4 NIC contributions for the self-employed has been (at least for the time being) abolished.

VAT thresholds

The Chancellor has announced that the VAT registration and deregistration thresholds will not change for two years from 1 April 2018 from the current figures of £85,000 and £83,000 respectively.

VAT & fraud on labour in the construction sector

The government plans to shift responsibility for paying the VAT (on labour) along the supply chain to remove the opportunity for it to be stolen with effect on or after 1 October 2019.

The long lead-in time is to give businesses adequate time to prepare for the changes. The government has decided not to bring in legislative measures to address the fraud in the Construction Industry Scheme, but HMRC is increasing its compliance response to target this fraud.

Making Tax Digital (MTD)

The government plans to introduce MTD have been delayed. In the first instance only those businesses, self-employed people and landlords with turnovers in excess of the VAT threshold (£85,000) will be required to start using the new digital service from April 2019.

Mileage Allowance for property businesses

The government is to give unincorporated property businesses the option to use a fixed rate deduction for every mile travelled by car, motorcycle or goods vehicle for business journeys. This will be introduced as an alternative to claims for capital allowances and deductions for actual expenses incurred, such as fuel

Extension of First Year Allowances (FYA)

A 100% FYA is currently available for businesses purchasing zero-emission goods vehicles or gas refuelling equipment. Both schemes have now been extended for a further three years, rather than expiring in March 2018

Companies

Corporation tax

The Government is committed to corporation tax rate reductions, which remain as follows:

- Financial year 2017 - 19%
- Financial year 2018 - 19%
- Financial year 2019 - 19%
- Financial year 2020 - 17%

Capital Gains & Indexation Allowance

Companies that dispose of assets on or after 1 January 2018, will have to use using the Retail Price Index factor at December 2017, irrespective of the date of disposal of the asset, to calculate the indexation allowance.

Other Taxes

Stamp Duty Land Tax

The government has said that first time buyers paying £300,000 or less for a residential property will pay no SDLT; this measure will come into effect from 22nd November 2017.

This brief summary covers some of the budget changes; you are advised to further take professional advice before acting.