

Guide from

Watling & Hirst Limited

	2016/17	2017/18	2018/19
	£	£	£
Income tax rates - (non-dividend income)			
0% - starting rate for savings only note 1	Up to 5,000	Up to 5,000	Up to £5,000
20% basic rate tax	11,001 - 43,000	11,501 – 45,000	11,851 – 46,350
40% higher rate tax	43,001 - 150,000	45,001 to 150,000	46,351 – 150,000
45% additional rate tax	Above 150,000	Above 150,000	Above 150,000
<i>1 If an individual's taxable non-savings income exceeds the starting rate limit, then the starting rate for savings will not be available for savings income</i>			
Scottish rates of income tax			note 2
0% - starting rate for savings only note 1	Up to 5,000	Up to 5,000	
20% basic rate tax	11,001 - 43,000	11,501 - 43,000	
40% higher rate tax	43,001 - 150,000	43,001 - 150,000	
45% additional rate tax	Above £150,000	Above £150,000	
<i>You pay the Scottish rate if you live in Scotland.</i>			
<i>1 If an individual's taxable non-savings income exceeds the starting rate limit, then the starting rate for savings will not be available for savings income.</i>			

2 The Scottish Parliament has voted to freeze the basic rate of income tax of 20 per cent, also freeze the higher and additional rates at 40 per cent and 45 per cent respectively, and maintain the higher rate of income tax threshold at £43,000 in 2017/18, as set out in the table above. The Scottish Government budget will take place on 14 December 2017.

Income tax rates – (dividend income new rules from 6/4/2016)			
Dividend allowance	£5,000	£5,000	£2,000
Dividend ordinary rate (for dividends within basic rate band)	7.50%	7.50%	7.50%
Dividend upper rate (for dividends within higher rate band)	32.50%	32.50%	32.50%
Dividend additional rate (for dividends above higher rate band)	38.10%	38.10%	38.10%
Child benefit/Guardian's allowance rates			
Higher rate (eldest child only) (per week)	20.7	20.7	20.7
Other children	13.7	13.7	13.7
Guardian's allowance	16.55	16.7	17.2
<i>An income tax charge will apply to taxpayers with income exceeding £50,000 in a tax year, when child benefit is also received by them or their partner. The charge will reduce the financial benefit of receiving child benefit for those with income between £50,000 and £60,000 and remove it completely for taxpayers with income above £60,000.</i>			
Personal allowances			
Personal allowance – note 2	11,000	11,500	11,850
Dividend allowance	5,000	5,000	2,000
Maximum Married couple's allowance for those born before 6 April 1935 – note 3	8,355	8,445	8,695
Married couple's allowance – minimum amount – note 3	3,220	3,260	3,360
Micro entrepreneurs allowance:			
Individuals making property or trading incomes below the level of the allowance would no longer need to declare or pay tax, while those who exceeded the level from their can benefit by simply deducting the allowance instead of calculating their exact expenses.	n/a	Allowance-1,000	Allowance-1,000

Income limit – note 1	100,000	100,000	100,000
Income limit for Married couple's allowance-born before 6 April 1935	27,700	28,000	28,900
Blind person's allowance	2,290	2,320	2,390
Rent-a-room relief	7,500	7,500	7,500
Transferable tax allowance for married couples and civil partners – note 4	1,100	1,150	1,185
Personal savings allowance for basic rate tax payers – note 5	1,000	1,000	1,000
Personal savings allowance for higher rate tax payers – note 5	500	500	500
<i>1 This allowance is subject to the £100,000 income limit which applies regardless of the individual's date of birth. The individual's personal allowance is reduced where their income is above this limit. The allowance is reduced by £1 for every £2 above the limit</i>			
<i>2 From 2016-17 onwards, all individuals will be entitled to the same personal allowance, regardless of the individuals' date of birth. This allowance is subject to the £100,000 income limit which applies regardless of the individual's date of birth.</i>			
<i>3. The individual's married couple's allowance is reduced by £1 for every £2 above this limit.</i>			
<i>4 This transferable allowance is available to married couples and civil partners who are not in receipt of married couple's allowance. A spouse or civil partner who is not liable to income tax; or not liable at the higher or additional rates, can transfer this amount of their unused personal allowance to their spouse or civil partner. The recipient must not be liable to income tax at the higher or additional rates. The government will now allow claims in case where a partner has died before the claim was made. These claims will be able to be backdated up to 4 years.</i>			
<i>5 Basic rate tax will no longer be deducted from personal savings interest.</i>			
National insurance			
Lower earnings limit, primary Class 1 (per week)	112	113	116
Upper earnings limit, primary Class 1 (per week)	827	866	892
Apprentice upper secondary threshold (AUST) for under 21s/ 25s	827	866	892
Primary threshold (per week)	155	157	162
Secondary threshold (per week)	156	157	162
Employment allowance (per year per employer)	3,000	3,000	3,000

Employee's primary Class 1 rate between primary threshold and upper earnings limit	12%	12%	12%
Employee's primary Class 1 rate above upper earnings limit	2%	2%	2%
Married woman's reduced rate between primary threshold and upper earnings limit	5.85%	5.85%	5.85%
Married woman's rate above upper earnings limit	2.00%	2.00%	2.00%
Employer's secondary Class 1 rate above secondary threshold	13.80%	13.80%	13.80%
Class 2 rate (per week where profits are above small profits threshold)	2.80	2.85	2.95
Class 2 small profits threshold (per year)	5,965	6,025	6,205
Special Class 2 rate for share fishermen (per week)	3.45	3.5	3.6
Special Class 2 rate for volunteer development workers	5.6	5.65	5.80
Class 3 rate (per week)	14.1	14.25	14.65
Class 4 lower profits limit	8,060	8,164	8,424
Class 4 upper profits limit	43,000	45,000	46,350
Class 4 rate between lower profits limit and upper profits limit	9.00%	9.00%	9.00%
Class 4 rate above upper profits limit	2.00%	2.00%	2.00%
The government had previously announced its intention to abolish "class 2" national insurance contributions (NICs) for the self-employed in April 2018, but has now said it will delay the move for a year.			
Pensions			
Annual allowance note 1	40,000	40,000	40,000
Lifetime allowance	1,000,000	1,000,000	1,030,000
Money purchase annual allowance – note 2	10,000	4,000	4,000
<i>1 The Finance Bill 2015 provided that from tax year 2016/17 the annual allowance for those earning above £150,000 is to be reduced on a tapering basis so that it reduces to £10,000 for those earning above £210,000. For every £2 of income above £150,000, an individual's annual allowance will reduce by £1.</i>			

2 This means that once a person has accessed pension savings flexibly, if they wish to make any further contributions to a defined contribution pension, tax-relieved contributions are restricted to a special money purchase annual allowance (MPAA).

Relief's and incentives			
Enterprise Investment Scheme (EIS) - maximum	1,000,000	1,000,000	2,000,000
Venture Capital Trust (VCT) - maximum	200,000	200,000	200,000
Enterprise Management Incentive Scheme (EMI) - employee limit	250,000	250,000	250,000
Seed Enterprise Investment Scheme (SEIS) - maximum	100,000	100,000	100,000
Income tax relief on EIS schemes	30%	30%	30%
Income tax relief on VCT schemes	30%	30%	30%
Income tax relief on SEIS schemes	50%	50%	50%
Individual Savings Account (ISA):			
ISA (NISA) annual limit	15,240	20,000	20,000
Junior ISA investment annual limit	4,080	4,128	4,260
Child value of Child Trust Fund annual limit	4,080	4,128	4,260
LISA- annual limit (for ages between 18 to 40)	n/a	4,000	4,000
Capital gains tax			
Rate			
- basic rate tax payer	10%	10%	10%
- higher rate tax payer	20%	20%	20%
Gain on sale of residential property			
- basic rate tax payer	18%	18%	18%
- higher rate tax payer	28%	28%	28%
Annual exemptions – individuals (per year)	11,100	11,300	11,700
Certain trusts for disabled persons (per year)	11,100	11,300	11,700
Other trusts (per year)	5,550	5,650	5,850

Entrepreneurs Relief lifetime limit	10,000,000	10,000,000	10,000,000
Entrepreneurs Rate	10%	10%	10%
Chattels exemption	6,000	6,000	6,000
Inheritance tax			
Single persons nil rate band	1 - 325,000	1 - 325,000	1 - 325,000
Single persons 40% band	over 325,000	over 325,000	over 325,000
Residence nil rate band (RNRB) – maximum - note 2	n/a	100,000	125,000
Reduced rate note 1	36%	36%	36%
IHT Rate (for chargeable lifetime transfers)	20%	20%	20%
Married couples or civil partnerships allowance nil rate band	650,000	650,000	650,000
Gifts to charities	Exempt	Exempt	Exempt
Small gifts to same person	250	250	250
General gifts- annual exemption	3,000	3,000	3,000
Wedding gifts from:			
Parent	5,000	5,000	5,000
Grandparent/party	2,500	2,500	2,500
Other person	1,000	1,000	1,000
Business Property Relief			
Business or interest in a business and transfer if unquoted shareholdings	100%	100%	100%
1 The estate can pay Inheritance Tax at a reduced rate of 36% on some assets if you leave 10% or more of the 'net value' to charity in your will.			
2 The RNRB applies in addition to the existing nil rate band (NRB) or threshold (currently £325,000) if the individual and estate meet the qualifying conditions.			
Taxation of trusts			
Accumulation or discretionary trusts:			
Trust income up to £1,000 – dividend type	7.50%	7.50%	7.50%

income- note 1			
Trust income up to £1,000 – all other income	20%	20%	20%
Trust income over £1,000 – dividend type income	38.10%	38.10%	38.10%
Trust income over £1,000 – all other income	45%	45%	45%
Interest in possession trusts:			
Dividend type income	7.50%	7.50%	7.50%
All other income	20%	20%	20%
Corporation tax			
All profits and gains (excluding determination agreements and diverted profits)	20%	19%	19%
S455 tax on all loans made by close companies to participator	32.50%	32.50%	32.50%
Capital Allowances			
Main writing down allowance (reducing balance)	18%	18%	18%
Special rate writing down allowance (reducing balance)	8%	8%	8%
Motor Cars- if CO2 > 75g/km but do not exceed 130g/km	18%	18%	18%
Motor Cars- if CO2 > 130g/km	8%	8%	8%
Small pool write off where WDV is £1,000 or less	100%	100%	100%
CO2 emissions are 75g/km or less (or car is electric)	100%	100%	100%
First year allowances for certain energy-saving/water efficient products	100%	100%	100%
Annual investment allowance	100%	100%	100%
<i>1 AIA level set permanently from 1 January 2016 at £200,000 pa</i>			
Research and Development Tax Credit Rates			
SME Rate	230%	230%	230%
Research and development SME payable credit	14.5%	14.5%	14.5%

Research and development expenditure credit (RDEC) scheme	11%	11%	12%
Patent Box			
Patent box	10%	10%	10%
<i>The Patent box regime was phased in from April 2013 with companies able to claim the benefit of</i>			
<i>60% for 2013/14, 70% for 2014/15, 80% for 2015/16, 90% for 2016/17 and 100% from 2017/18 onwards</i>			
VAT			
Standard rate	20%	20%	20%
Reduced rate	5%	5%	5%
Zero rate	0%	0%	0%
Flat rate of VAT on gross turnover (For Limited Cost Trader)	16.5%	16.5%	16.5%
Normal scheme registration threshold	83,000	85,000	85,000
Deregistration threshold	81,000	83,000	83,000
Cash accounting scheme -maximum to join	1,350,000	1,350,000	1,350,000
Cash accounting scheme - exit threshold	1,600,000	1,600,000	1,600,000
Annual accounting scheme – maximum to join	1,350,000	1,350,000	1,350,000
Annual accounting scheme – exit threshold	1,600,000	1,600,000	1,600,000
Flat rate scheme – maximum allowed to join	150,000	150,000	150,000
Flat rate scheme exit threshold	230,000	230,000	230,000
Annual Tax on Enveloped Dwellings (ATED)			
More than £0.5m but not more than £1m	3,500	3,500	3,600
More than £1m but not more than £2m	7,000	7,050	7,250
More than £2m but not more than £5m	23,350	23,550	24,250
More than £5m but not more than £10m	54,450	54,950	56,550
More than £10m but not more than £20m	109,050	110,100	113,400
More than £20m	218,200	220,350	226,950

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