

# Budget Report 2017

The main taxation provisions announced by the  
Chancellor of the Exchequer on 8 March 2017

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## Introduction

Today the Chancellor of the Exchequer Philip Anthony Hammond MP, delivered his Budget to the House of Commons. If you want to read what he said, you can access his speech [here](#).

Full details of all announcements, supporting documents and information are available from [here](#), including Budget documents published by HM Treasury on 8 March 2017.

### About the Budget

When the Government publishes the Budget, the Chancellor gives a speech to Parliament in which he sets out the key decisions on tax, borrowing and spending, and his reasons for taking those decisions. This speech is called the Budget Statement.

The official forecast on which the Chancellor bases the Government's Budget is provided by the Office for Budget Responsibility (OBR). The Budget Responsibility and National Audit Act 2011 require the OBR to publish two economic and fiscal forecasts for each financial year, including one published at the Budget. The OBR's duty is to examine and report on the sustainability of the public finances and it is required to do so objectively, transparently and impartially.

This Budget is to be the last one held during springtime. From now on, it will be moved to the autumn. It means that this year there will be two Budgets as the timetable switch takes place. The Autumn Statement will be replaced with an annual Spring Statement, which will start next year - but it will not be considered as a major fiscal event.

## Popular expectations

The press, almost across the board, predicted that the Chancellor would stress he is prepared to make "difficult decisions" on tax rises and spending cuts. **The respected City A.M said:** *The UK economy has expanded healthily since the referendum, and some economists believe the outlook has brightened, giving Hammond leeway of around £30bn. Nonetheless, the global economic picture is still coloured with uncertainty and sluggish growth. A smaller annual deficit would help maintain the confidence of investors, and a stronger fiscal position will do us no harm during upcoming Brexit negotiations.*

## BBC's summary of the proposals

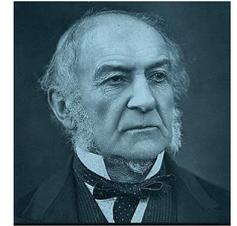


BBC News summarised the main points from Chancellor George Osborne's Budget statement as follows:

- This is the last Spring Budget - with Chancellor Philip Hammond moving the set-piece event moving to the Autumn from this year onwards. He pointed out that 24 years ago, former Chancellor Norman Lamont made the same move. *"The then Prime Minister described it as the 'right budget, at the right time, from the right Chancellor,'" Mr Hammond said. "What they failed to remind me was... ten weeks later, he was sacked! So wish me luck!"*
- The budget provides a strong stable platform for Brexit negotiations began Chancellor Philip Hammond. It will, he said, "extend opportunity to all our young people, deliver further investment in our public services and continue the task of getting Britain back to living within its means."
- There is no room for complacency warned the Chancellor. He told MPs that while the deficit is down, debt is still too high and productivity remains "stubbornly low". Young people are leaving education without the skills they need, he said.
- The Chancellor said that almost 10 years since the financial crash "too many families are still feeling the squeeze". "Too many of our young people are leaving formal education without the skills they need for today's labour market," he said. "So, our job is not done."
- The Independent Office for Budget Responsibility has, as expected, raised its economic growth forecasts for this year. It now expects the UK economy to grow 2% rather than 1.4%, the Chancellor said. In 2018, growth is forecast to slow to 1.6%, before picking up to 1.7%, then 1.9%, and back to 2% in 2021, he added.
- Inflation is forecast to hit 2.4% this year, according to the Office for Budget Responsibility. It will then fall to 2.3% in 2018 and 2% in 2019, the Chancellor said. That will keep it at or above the Bank of England's 2% inflation target for three years.

### The Long and Short of it

The Chancellor of the Exchequer usually takes about an hour to deliver a Budget speech. The longest Budget delivery in history was by William Gladstone in 1853 (below) – his speech lasted four hours and 45 minutes.



For brevity, you need to look to Benjamin Disraeli (below) whose Budget speech in 1867, took only 45 minutes.





- The economic forecast is broadly unchanged the Chancellor told MPs. The OBR has substantially revised down its short-term forecast of Public Sector Net Borrowing. However, he said this is attributed to "one-off factors" adding that the OBR does not expect this to lead to "structural improvement over the forecast period". The OBR now forecasts:
  - £51.7bn in 2016
  - £53.8bn in 2017
  - £40.8bn in 2018
  - £21.4bn in 2019
  - £20.6bn in 2020
  - £16.8bn in 2021
- Philip Hammond dismissed arguments that the lower borrowing forecasts should mean "more unfunded spending". He said that Britain has a debt of nearly £1.7 trillion and that "each year, we are spending £50 billion on debt interest". The only responsible course of action, he argued, is to continue with our plan. *"We will not saddle our children with ever-increasing debts."*
- The Chancellor said UK debt is expected to peak at 88.8% of economic output next year - although that will be 1.4 percentage points lower than the OBR had forecast in the Autumn. It will then start falling in 2018-19, for the first time in almost 20 years, and will continue to drop, reaching 79.8% in 2021-22, Mr Hammond said.
- Ahead of the Budget, there was fierce lobbying from businesses and backbench MPs for the Chancellor to ease the burden from higher business rates. The Chancellor said the tax brings in £25bn a year, so he cannot abolish the rates. But he unveiled three measures to help those affected:
  1. No business losing small business rate relief will see their bill increase next year by more than £50 a month
  2. 90% of local pubs will have a £1,000 discount on their business rates bill
  3. A £300m fund for local councils to offer discretionary relief for hard-hit cases
- Philip Hammond told the House that the UK has the lowest tax gap in the world *"but there is more that we can do"*. He announced a number of measures to tackle non-compliance:
  - Tackling abuse of foreign pension schemes
  - Introducing UK VAT on roaming telecoms services
  - Implementing new financial penalties for professionals who enable a tax avoidance arrangement that is later defeated by HMRC

This, he said, will raise £830m over the forecast period.
- There is also, as expected, an announcement from the Chancellor on higher taxes for self-employed workers. Mr Hammond said that lower National Insurance contributions from self-employed workers is forecast to cost public finances £5bn this year alone. To make the system "fairer", he said that NI contributions will rise for the self-employed by 1% to 10% from April next year. That will then rise again to 11% in 2019. Together with other changes, this will raise a net £145m a year - around 60p a week per self-employed person, he added.
- He turned to the "unfair discrepancy" between the total tax paid by an employed worker and one who has set up his own company. He therefore announced that he would reduce the tax-free dividend allowance for directors/shareholders from £5,000 to £2,000 with effect from April 2018.
- On cigarettes, he told MPs that he is introducing a new minimum excise duty on cigarettes based on a pack price of £7.35. He added that he would make no changes to "previously planned up-ratings of duties on alcohol and tobacco."

- One of the most eye-catching policies in last year's Budget was a sugar tax on soft drinks. Philip Hammond said the tax would raise less than forecast because producers are taking more sugar out of their drinks - "good news" for children, he added. The Education Department will still receive the £1bn originally earmarked from the levy, Mr Hammond said.
  - It seems a lifetime ago, but in the 2015 election manifesto the Conservatives promised to raise the threshold at which workers pay income tax to £12,500 a year by 2020. It also pledged that by that time the 40% tax rate would not kick in until £50,000. Mr Hammond re-commits to both those pledges.
  - The Chancellor repeated earlier announcements that working parents with three-and-four-year-olds will get their free childcare entitlement doubled to 30 hours a week. He said he is using the occasion of International Women's Day to make three other announcements:
    - £20m to support the campaign against violence Against Women and Girls
    - £12m from tampon tax going to women's charities
    - £5m to returnships to the public and private sector, helping people back into employment after a career break.
- During PMQs, Theresa May said extra money for returnships would mainly affect women.
- On transport, he had a number of offers:
    - £90m for the North
    - £23m for the Midlands from a £220m fund that addresses pinch-points on the national road network
    - £690 million competition for local authorities across England to tackle urban congestion
  - The Chancellor dished out some of the £23bn of investment he announced in the autumn. The funding designed to help the UK compete in science and innovation includes:
    - £300m for research talent, including 1,000 PhD places for STEM subjects
    - £270m for robots, driverless cars and biotech
    - £16m for a 5G mobile technology hub
    - £200m for fibre broadband
  - The Chancellor turned to the question of skills. *Will our children enjoy the same opportunities we did*, he asked. He announced that universities will be asked to sponsor free schools and barriers to setting up faith schools will be removed. The government will enable the creation of new selective schools and 110 new free schools.
  - The Chancellor announced the introduction of T-Levels, which will replace 13,000 qualifications with just 15. He also said the number of hours training for 16-19 year old technical students will increase by over 50%. The new qualifications will include including a high quality 3-month work placement for every student.
  - Theresa May has made selective schools a key part of her plans to build a "more meritocratic" Britain, not without controversy. Yesterday the prime minister pledged more funding for new schools, potentially including grammars. In his Budget speech, the Chancellor offers help to children from disadvantaged backgrounds to attend selective schools. All pupils on free school meals will also be able to receive free travel to selective schools, he said.
  - Next up is social care. The Chancellor said additional grant funding of £2bn would be given to social care in England over the next 3 years. The first billion will be available in 2017/18. However, it is not just about money but strategy, he said and promises there will be a green paper on social care. However, he clarified that the green paper will not include "exhuming Labour's hated death tax".
  - The Chancellor announced £100m to help with accident and emergency waiting times. The money will be spent on English hospitals in time for next winter, Philip Hammond said. It will focus on triage - deciding which patients to treat first - and will include GPs working in A&E departments to help with that workload.





## Summary

Here is a summary of what the Chancellor announced. If you want to read the Budget in full, you can access it [here](#).

### 1. The economic forecast

Growth in the UK economy picked up through 2016. Employment has reached a record high of 31.8 million people.

The Office for Budget Responsibility (OBR) now forecasts that the UK economy will grow by 2% in 2017. The OBR also forecast that the economy will grow at a slightly slower rate in 2018, before picking up to 2% in 2021.

### 2. Cutting borrowing and stabilising the public finances

Britain has a debt of nearly £1.7 trillion – around £62,000 for every household in the country.

In 2009-10, the UK borrowed £1 in every £5 that was spent. This year it is set to be £1 in every £15.

Borrowing is forecast to be reduced by nearly three quarters by 2016-17.

### 3. £2 billion for adult social care over the next three years

This will help councils to provide high quality social care to more people and help to ease pressure on the NHS.

### 4. £425 million investment in the NHS in the next three years

£325 million will be invested in a first set of the best local Sustainability and Transformation Plans (STPs).

STPs are the NHS's plans for improving patient services in local regions, developed

collaboratively by NHS service leaders and their local partners.

£100 million will go to A&E departments in 2017-18, to help them manage demand ahead of next winter, and help patients get to primary care faster. For example, it will provide more on-site GP facilities and more space in A&E units for assessment of patients when they arrive.

### 5. Investment in technical education for 16 to 19 year olds rising to over £500 million

New T-levels (the name given by the media to government's planned overhaul of technical education). for 16 to 19 year old technical students will be introduced from autumn 2019. Students will be able to choose from 15 different routes such as construction, digital or agriculture.

The number of hours of training for these students will increase by over 50%. As part of the course, all students will take part in an industry work placement.

The government will also provide maintenance loans for students doing higher-level technical courses at National Colleges and Institutes of Technology – like those available to university students.

### 6. £300 million investment for new academic research placements

£90 million will provide 1,000 new PhD places, including in science, technology, engineering and maths.

£210 million will create new fellowships, including programmes to attract top global talent to conduct research in areas such as bioscience and biotechnology, quantum technologies, and satellite and space technology.

### 7. Loans for part time and doctoral students from 2018

The government will provide maintenance loans for people entering part time degrees, and doctoral loans of up to £25,000 to support higher-level study.

## Executive Summary

As the UK begins the formal process of exiting the European Union, the Spring Budget puts economic stability first. Following a period of robust economic growth, record levels of employment and a falling deficit, it sets out further progress in restoring the public finances to health. Building on the Industrial Strategy, it goes further in tackling the UK's productivity challenge.

The Budget sets out actions the government will take to:

- help young people from ordinary working families across the country get the skills they need to do the high-paid, high-skilled jobs of the future, vital for a competitive workforce
- give more children the chance to go to a good or outstanding school that sets them up to succeed
- support the social care system with substantial additional funding, so people get the care they deserve as they grow older, and support both local NHS plans and improvements to Accident and Emergency with new capital investment
- invest in cutting-edge technology and innovation, so Britain continues to be at the forefront of the global technology revolution
- continue to bring down the deficit so the UK gets back to living within its means, and can fund public services for the long-term through a fair and sustainable tax system

## **8. £536 million for new free schools and to maintain existing schools**

£320 million will go to new free schools. Free schools are funded by the government but set up by groups like parents, charities or community and faith groups.

£216 million will be invested in school maintenance.

## **9. Free transport for children from poorer families who go to selective schools**

Children aged 11 to 16 who get free school meals or whose parents are on the Maximum Working Tax Credit will get free transport to their closest selective school, if it is between 2 and 15 miles away from their home.

Children aged 8 to 16 are already entitled to free transport to their closest suitable school, if they live more than three miles away.

## **10. Tax-Free Childcare will soon be available to working parents**

Tax-Free Childcare will provide up to £2,000 a year in childcare support for each child under 12.

Parents will be able to receive up to £4,000 for disabled children up to the age of 17. Parents of younger children will be able to apply for the scheme first, with all eligible parents able to access the scheme by the end of the year.

Working parents in England will also be able to apply for an additional 15 hours of free childcare for three and four year olds, bringing the total to 30 hours a week.

## **11. New ways to protect consumers**

The government will investigate ways to protect consumers from unnecessary costs and inefficiencies, including:

- preventing consumers being charged unexpectedly when a subscription is renewed or a free trial ends
- making terms & conditions simpler and clearer including in digital contracts, like when you sign up to a social network
- fining companies that mislead or mistreat consumers

## **12. £270 million to launch the Industrial Strategy Challenge Fund**

Initial funding will support research and innovation in universities and businesses, in areas like:

- developing artificial intelligence and robotics that will work in extreme environments, like offshore energy, nuclear energy and space
- designing and manufacturing better batteries for new electric vehicles that will help improve our air quality
- improving medicine manufacturing technologies to speed up patient access to drugs

## **13. Improving transport with the National Productivity Investment Fund (NPIF)**

The government is funding improvements to transport infrastructure, including:

- £690 million for new local transport projects, to improve congestion on roads and public transport
- £220 million to improve congestion points on national roads, with £90 million going to the North and £23 million to the Midlands
- supporting local projects in the next twelve months like improvements on the A483 corridor in Cheshire and on the Leicester Outer Ring Road

## **14. A new strategy to make the UK a world leader in 5G technology**

£16 million for a national 5G Innovation Network to trial new 5G technology and £200 million for local projects to build fast and reliable full-fibre broadband networks.

## **15. A three-year NS&I Investment Bond with a market-leading interest rate of 2.2%**

The bond will be available for 12 months from April 2017.

The government announced the NS&I Investment Bond at Autumn Statement 2016. It will be open to everyone aged 16 and over with the flexibility to save between £100 and £3,000 over three years.

## **16. The Lifetime ISA will be available from 6 April this year**

The Lifetime ISA will allow younger adults to save up to £4,000 each year and receive a bonus of up to £1,000 a year on these contributions. Funds can be withdrawn tax-free to put towards a first home or saved until a person turns 60.

## **17. Marking International Women's Day**

A new £5 million fund will go to projects celebrating the 100th anniversary of the Representation of the People Act next year, and to educate young people about its significance. The Representation of the People Act (1918) was the first legislative step towards equal voting rights for men and women.

Working with businesses and the public sector, the government will also invest £5 million to increase the number of returnships, helping people back into employment after a career break.

In addition, another £20 million will support organisations working to combat domestic violence and abuse or supporting victims. This increases the total funding for implementing the government's Ending Violence Against Women and Girls Strategy to £100 million by the end of Parliament.

## **18. Small Businesses and landlords under the VAT threshold will have an extra year to prepare for Making Tax Digital (MTD)**

Unincorporated businesses (businesses owned privately by one or more people) that have an annual turnover below the VAT registration threshold will have until April 2019 to prepare before MTD becomes mandatory.

Under MTD, businesses will use digital software to keep tax records and update HMRC quarterly.

## **19. £435 million to support businesses affected by the business rates relief revaluation**

This means no small business that is coming out of small business rates relief will pay more than £600 more in business rates this year than they did in 2016-17.

Funding for local authorities will allow them to provide £300 million of discretionary relief to provide help to businesses most affected by the revaluation.

In addition, from April 2017, pubs with a rateable value up to £100,000 will be able to claim a £1,000 business rates discount for one year.

## **20. The main rate of National Insurance contributions (NICs) for the self-employed will increase**

Currently, the self-employed may have to pay both Class 4 and Class 2 NICs:

- Class 4 NICs at 9% are paid on profits between £8,060 and £43,000
- Class 2 NICs are paid on profits of £5,965 or more

From 2018, Class 2 NICs will be abolished. Class 4 NICs will rise to 10% in April 2018 and to 11% in April 2019.

Taken together, only a self-employed person with profits over £16,250 will have to pay more because of these changes.

This better reflects the fact that the differences in contributory benefit entitlement between the self-employed and employees are now small, following the introduction of the new State Pension in April 2016.

In the summer, the government will also consider whether there is a case for greater consistency in parental benefits between the employed and self-employed.

## **21. Tax-free dividend allowance will be reduced from £5,000 to £2,000 from April 2018**

This will reduce the tax difference between the self-employed and those working through a company.

Typically, general investors will need over £50,000 worth of stocks and shares outside an ISA to be affected by this change.

## Detail

Detailed commentary about some of the Chancellor's proposals is set out below.

### Income tax & National Insurance

Since 2010, the government has taken action to reduce taxes and enable working people to keep more of what they earn. Next month, the government will build on this progress by increasing the personal allowance by more than inflation for the seventh consecutive year, raising it by £500 to £11,500. This means the amount someone can earn tax-free in 2017-18 will be over 75% higher than in 2010. Raising the personal allowance to £11,500, alongside a £2,000 increase to the higher rate threshold, will cut income tax for 31 million taxpayers compared to the beginning of this Parliament – including taking 1.3 million out of income tax altogether.

**Class 4 National Insurance contributions (NICs)** – The government has already announced that it will abolish Class 2 NICs – a flat-rate charge on the self-employed – from April 2018. On its own, this would increase the differential between the rates of National Insurance paid by employees and those paid by the self-employed. Since April 2016, the self-employed also have access to the same State Pension as employees, worth £1,800 a year more to a self-employed individual than under the previous system.

To reduce the differential and reflect more equal pension entitlement, the Budget announces that the main rate of Class 4 NICs will increase from 9% to 10% in April 2018, and to 11% in April 2019. Taken together with the abolition of Class 2 NICs, this means that only self-employed individuals with profits above £16,250 will have to pay more NICs. Alongside Matthew Taylor's review into employment practices, the government will consider whether there is a case for greater parity in parental benefits between the employed and self-employed.

**Dividend allowance** – The tax-free dividend allowance will be reduced from £5,000 to £2,000 from April 2018. This will reduce the tax differential between the employed and self-employed on the one hand and those working through a company on the other, and raise revenue to invest in our public services. It will ensure that support for investors is more effectively targeted, and make the total amount of income they can receive tax-free

fairer and more affordable. This takes account of the increased ISA allowance, which will rise to £20,000 from this April, as well as further increases to the tax-free personal allowance, which is additional to the dividend allowance. A £2,000 dividend allowance will continue to mean that 80% of general investors pay no dividend tax, including those with sizeable investments (typically, up to £50,000).

#### Different forms of remuneration –

Employers can choose to remunerate their employees in a range of different ways, but the tax system treats these different forms of remuneration inconsistently. The government is considering how the tax system could be made fairer and more coherent, including by looking at the taxation of benefits in kind and employee expenses. 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.

### Pensions and Savings

The government is committed to supporting savers at all stages of their lives. Recent reforms mean that now 98% of adults pay no savings tax. The government has almost doubled ISA limits since 2010 and will introduce the Lifetime ISA on 6 April this year. The Lifetime ISA allows younger adults to save up to £4,000 each year and receive a generous bonus of up to £1,000 a year on these contributions, which can be withdrawn tax-free to put towards a first home or when they turn 60.

**NS&I Investment Bond final rate** – The Budget confirms the rate on the NS&I Investment Bond announced at Autumn Statement 2016. The Investment Bond will

offer a market-leading rate of 2.2% over a term of 3 years and will be available for 12 months from April 2017. The Bond will be open to everyone aged 16 and over, subject to a minimum investment limit of £100 and a maximum investment limit of £3,000. At £3,000 the investment limit is enough to cover all the savings of over half of UK households. This will support savers who have been affected by low interest rates.

**Master trust tax registration** – The government will amend the tax registration process for master trust pension schemes to align with the Pensions Regulator’s new authorisation and supervision regime. This will help to boost consumer protection and improve compliance.

## Business tax

The UK is one of the most open economies in the world, and a highly competitive business tax regime remains a key factor in retaining that position. The UK’s corporate tax rate is the lowest in the G20. As set out at Autumn Statement 2016, the government will cut the rate of corporation tax to 19% from April this year and then again to 17% in 2020.

Reflecting the move to a single major fiscal event in the autumn, the Budget does not make major changes to the business tax regime, but continues to provide a stable and certain environment to support business investment, consistent with the business tax road map.

## Corporate tax

**Research and development (R&D) tax review** – The Industrial Strategy green paper sets out the government’s ambition to drive up the level of private investment in science, research and innovation across the economy.

The review of the R&D tax regime has found that the UK’s R&D tax credits regime is an effective and internationally competitive element of the government’s support for innovation. To further support investment, the government will make administrative changes to the Research and Development Expenditure Credit to increase the certainty and simplicity around claims and will take action to improve awareness of R&D tax credits among SMEs. The government will continue to keep the competitiveness of the UK environment for R&D under review to ensure that the UK is profoundly pro-innovation.

**Patient capital review** – The review aims to ensure that high growth businesses can access the long-term capital that they need to fund productivity enhancing investment. Alongside identifying barriers to institutional investment in long-term finance, the review will also consider existing tax reliefs aimed at encouraging investment and entrepreneurship to make sure that they are effective, well targeted, and provide value for money.

**Withholding tax on interest** – In order to encourage investment in the UK and make it easier for businesses to raise finance, the government will:

- renew and extend the administrative simplifications of the Double Taxation Treaty Passport scheme to assist foreign lenders and UK borrowers. This scheme simplifies access to reduced withholding tax rates on interest that are available within the UK’s tax treaties with other countries
- introduce an exemption from withholding tax for interest on debt traded on a Multilateral Trading Facility, removing a barrier to the development of UK debt markets. The government will consult in spring 2017 on implementation of the exemption

## Property tax

**Business rates** – At Budget 2016 the government announced reductions in business rates worth almost £9 billion over the next 5 years. This included permanently doubling Small Business Rate Relief and extending the thresholds of the relief to ensure that 600,000 businesses will not pay business rates again.

The business rates revaluation takes effect in England from April 2017. In addition to the £3.6 billion transitional relief, which was announced in November 2016, the government will provide £435 million of further support for businesses facing significant increases in bills from the English business rates system. 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 hard 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, subject to

state aid limits for businesses with multiple properties, for one year from 1 April 2017.

Local government will be fully compensated for the loss of income as a result of these measures.

At Budget 2016 the government announced an aim to deliver more frequent revaluations of properties – at least every 3 years. The government will set out its preferred approach for delivering this aim at Autumn Budget 2017 and will consult ahead of the next revaluation in 2022.

**Stamp Duty Land Tax** – As a result of consultation, the government will delay the reduction in the filing and payment window until 2018-19.

**Offshore property developers** – 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.

**Rent-a-room relief** – The government will consult on proposals to redesign rent-a-room relief, to ensure it is better targeted to support longer-term lettings. This will align the relief more closely with its intended purpose, to increase supply of affordable long-term lodgings.

## **Energy and transport taxes**

**Vehicle Excise Duty (VED)** – From 1 April 2017, VED rates for cars, vans and motorcycles registered before April 2017 will increase by Retail Prices Index (RPI).

**HGV VED and Road User Levy** – HGV VED and Road User Levy rates will be frozen from 1 April 2017. A call for evidence on updating the existing HGV Road User Levy will be launched this spring. The government will work with industry to update the Levy so that it rewards hauliers that plan their routes efficiently, to incentivise the efficient use of roads and improve air quality.

**Red diesel** – The government will publish a call for evidence on the use of red diesel in order to improve understanding of eligible industries and current use. Evidence is particularly sought on the use of red diesel in urban areas.

**Air Passenger Duty (APD)** – APD rates for 2018-19 will be updated in line with RPI. To provide good notice for the airline industry, rates for 2019-20 will be set at Autumn Budget 2017.

**Carbon pricing** – The government remains committed to carbon pricing to help decarbonise the power sector. Currently, UK prices are determined by the EU Emissions Trading System and Carbon Price Support. Starting in 2021-22, the government will target a total carbon price and set the specific tax rate at a later date, giving businesses greater clarity on the total price they will pay. Further details on carbon prices for the 2020s will be set out at Autumn Budget 2017.

**Levy Control Framework** – The government recognises the need to limit costs to businesses and households as the UK decarbonises its energy supplies. The existing Levy Control Framework has helped to control the costs of low carbon subsidies in recent years, and will be replaced by a new set of controls. These will be set out later in the year.

**Oil and gas: Tax for late-life oil and gas assets** – The UK already has one of the most competitive tax regimes for oil and gas in the world. However, to maximise economic recovery, the fiscal regime needs to ensure support for the transfer of late-life assets. To determine the best approach, the government will publish a formal discussion paper alongside the Finance Bill on the case for allowing transfers of tax history between buyers and sellers. The government will also establish a new advisory panel of industry experts to ensure appropriate scrutiny of the options. The review will report at Autumn Budget 2017.

**Aggregates Levy** – The Aggregates Levy rate for 2017-18 will be frozen at £2 per tonne, continuing the freeze that has been in place since 2009.

**Landfill Tax** – The value of the Landfill Communities Fund (LCF) for 2017-18 will remain unchanged at £39.3 million and the cap on contributions by landfill operators will be increased to 5.3%. This cap will be maintained, subject to consideration of Landfill Tax receipts, continued progress in reducing the level of unspent funds held by environmental bodies and the proportion of LCF funds spent on administration costs. The government will also consult on extending the scope of Landfill Tax to illegal disposals of

waste made without the required permit or licence.

**Packaging recycling targets** – The government will legislate to set new statutory packaging recycling targets for 2018 to 2020, to ensure compliance with the Packaging Directive. By 2020, the government will increase recycling targets for paper to 75.0%, aluminium to 64.0%, steel to 85.0% and for wood packaging to 48.0%. Targets for overall packaging recycling will increase to 75.4% and for recovery to 82.0% by 2020.

## Alcohol and tobacco tax

**Alcohol duty rates and bands** – From 13 March 2017, the duty rates on beer, cider, wine and spirits will increase by RPI inflation, in line with previous forecasts. The government will also consult on:

- introducing a new duty band for still cider just below 7.5% abv to target white ciders
- the impacts of introducing a new duty band for still wine and made-wine between 5.5% and 8.5% abv

**Tobacco duty rates** – As announced at Budget 2014, duty rates on all tobacco products will increase by 2% above RPI inflation. This change will come into effect from 6pm on 8 March 2017.

**Minimum Excise Tax** – The government will introduce a Minimum Excise Tax for cigarettes. This will target the cheapest tobacco and promote fiscal sustainability. The rate will be set at £268.63 per 1,000 cigarettes. It will take effect from 20 May 2017.

## Other indirect taxes

**Value Added Tax (VAT):** Registration and deregistration thresholds – From 1 April 2017 the VAT registration threshold will increase from £83,000 to £85,000 and the deregistration threshold from £81,000 to £83,000.

**Soft Drinks Industry Levy** – The levy rate for added sugar drinks with a total sugar content of 5 grams or more per 100 millilitres will be set at 18 pence per litre, and those with 8 grams or more per 100 millilitres will be set at 24 pence per litre.

**Insurance Premium Tax (IPT)** – The government will legislate to introduce anti-forestalling provisions and increase the

standard rate of IPT to 12% from 1 June 2017, as announced at Autumn Statement 2016.

## Tax administration

**Digital administration** – The government will provide an extra year, until April 2019, before Making Tax Digital is mandated for unincorporated businesses and landlords with turnover below the VAT threshold. This will provide them with more time to prepare for digital record keeping and quarterly updates. The government will also consult on the design aspects of the tax administration system, including interest and penalties, with the aim of adopting a consistent approach across taxes. This will simplify the system for taxpayers.

**Tax simplification** – Following consultation, the government will increase the cash basis entry threshold to £150,000, and exit threshold to £300,000, and will extend the use of the cash basis to unincorporated landlords.

The government will also simplify the rules on capital and revenue expenditure within the cash basis, to make it easier for businesses to work out whether their expenditure is deductible for tax.

**HMRC large business risk review** – HMRC will work constructively with businesses and interested parties to consult over the summer on its process for risk profiling large businesses and promoting stronger compliance.

## Avoidance, evasion and compliance

In this Parliament, the government has announced it will legislate for over 35 measures to tackle avoidance, evasion and aggressive tax planning. This builds on the progress of the last Parliament, during which over 40 changes to tax law were made, closing down loopholes and introducing major reforms to the UK tax system. Since 2010, HMRC has secured around £140 billion in additional tax revenue through tackling avoidance, evasion and non-compliance, and the UK's tax gap remains one of the lowest in the world.

### Promoters of Tax Avoidance Schemes

**(POTAS)** – New legislation will ensure that promoters of tax avoidance schemes cannot circumvent the POTAS regime by re-organising their business by either sharing control of a promoting business, or putting a person or persons between themselves and the

promoting business. This will ensure that HMRC can apply the POTAS regime as intended.

## **Strengthening tax avoidance sanctions and deterrents**

– As announced at Autumn Statement 2016, the government will introduce a new penalty for a person who has enabled another person or business to use a tax avoidance arrangement that is later defeated by HMRC. This new regime reflects an extensive consultation and input from stakeholders. The government will also remove the defence of having relied on non-independent advice as taking ‘reasonable care’ when considering penalties for a person or business that uses such arrangements.

## **Tax treatment of appropriations to trading stock**

– The government will remove the ability for businesses to convert capital losses into trading losses from 8 March 2017. This will eliminate an unfairness in the tax code, which is being exploited by certain businesses.

## **Qualifying recognised overseas pension schemes (QROPS): introduction of transfer charge**

– 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:** Use and enjoyment provisions for business to consumer mobile phone services – The government will remove the VAT use and enjoyment provisions for business to consumer mobile phone services to individuals. This will resolve the inconsistency where UK VAT is applied to mobile phone use by UK residents when in the EU, but not when outside the EU. It will also ensure mobile phone companies cannot use the inconsistency to avoid UK VAT. This will bring UK VAT rules into line with the internationally agreed approach.

## **Evasion**

**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.

**VAT: ‘Split Payment’ model** – Some overseas traders avoid paying UK VAT, undercutting online and high street retailers and abusing the trust of UK consumers who purchase goods via online marketplaces. Building on the measures introduced in Budget 2016, the government will shortly publish a call for evidence on the case for a new VAT collection mechanism for online sales. This would harness technology to allow VAT to be extracted directly by the Exchequer from online transactions at the point of purchase. This is often referred to as a ‘Split Payment’ model. This is the next step in tackling the non-payment of VAT by some overseas traders selling goods online to UK consumers.

## **Compliance**

**Image rights** – The government is aware that some employers pay image rights in respect of employees under separate contractual arrangements to employment income. HMRC will publish guidelines for employers who make payments of image rights to their employees to improve the clarity of the existing rules.

**Employment Allowance** – HMRC is 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.

## **Fraud, error and debt**

**Tax credit debt** – As announced by the Secretary of State on 9 February 2017, DWP will recover a volume of HMRC tax credit debt using its existing powers including the use of Direct Earnings Attachment.

**Benefit fraud and error** – As announced by the Secretary of State on 9 February 2017, DWP will work in partnership with an external data provider to better identify fraud and error caused by undeclared partners.

## Tax Rates etc

### Income tax bands of taxable income (£ per year)

|                 | Tax year 2016-17 | Tax year 2017-18 |
|-----------------|------------------|------------------|
| Basic rate      | £0-32,000        | £0-33,500        |
| Higher rate     | £32,001-150,000  | £33,500-150,000  |
| Additional rate | Over £150,000    | Over £150,000    |

### Income tax rates - 2016-17

|   |       |
|---|-------|
| Main rates <sup>1</sup>   |       |
| Basic rate  | 20%   |
| Higher rate   | 40%   |
| Additional rate   | 45%   |
| Dividend rates <sup>2</sup>   |       |
| Dividend ordinary rate - for dividends otherwise taxable at the basic rate        | 7.5%  |
| Dividend upper rate - for dividends otherwise taxable at the higher rate          | 32.5% |
| Dividend additional rate - for dividends otherwise taxable at the additional rate | 38.1% |

### Income tax rates - 2017-18

|  |       |
|--|-------|
| Main rates <sup>3</sup>  |       |
| Basic rate   | 20%   |
| Higher rate  | 40%   |
| Additional rate  | 45%   |
| Savings rates <sup>4</sup>   |       |
| Starting rate for savings  | 0%    |
| Savings basic rate   | 20%   |
| Savings higher rate  | 40%   |
| Savings additional rate  | 45%   |
| Dividend rates <sup>5</sup>  |       |
| Dividend ordinary rate - for dividends otherwise taxable at the basic rate | 7.5%  |
| Dividend upper rate - for dividends otherwise taxable at the higher rate   | 32.5% |

|   |       |
|---|-------|
| Dividend additional rate - for dividends otherwise taxable at the additional rate | 38.1% |
|---|-------|

## Default rates <sup>6</sup>

|                         |     |
|-------------------------|-----|
| Default basic rate      | 20% |
| Default higher rate     | 40% |
| Default additional rate | 45% |

## Starting rates for savings income

|                                 | Tax year 2016-17 | Tax year 2017-18 |
|---------------------------------|------------------|------------------|
| Starting rate for savings       | 0%               | 0%               |
| Starting rate limit for savings | £5,000           | £5,000           |

## Special rates for trustees' income

|  | Tax year 2016-17                         | Tax year 2017-18                         |
|--|--|--|
| Standard rate on first £1,000 of income which would otherwise be taxable at the special rates for trustees | Up to 20%, depends on the type of income | Up to 20%, depends on the type of income |
| Trust rate   | 45%                                      | 45%                                      |
| Dividend trust rate  | 38.1%                                    | 38.1%                                    |

## Income tax allowances

|  | Tax year 2016-17 | Tax year 2017-18 |
|--|------------------|------------------|
| Personal allowance <sup>7</sup>                                    | £11,000          | £11,500          |
| Income limit for personal allowance                                | £100,000         | £100,000         |
| Income limit for Married couple's allowance <sup>8</sup>           | £27,700          | £28,000          |
| Marriage allowance <sup>9</sup>                                    | £1,100           | £1,150           |
| Married couple's allowance for those born before 6 April 1935      |                  |                  |
| Maximum amount of married couple's allowance <sup>10</sup>         | £8,355           | £8,445           |
| Minimum amount of married couple's allowance <sup>10</sup>         | £3,220           | £3,260           |
| Blind person's allowance   | £2,290           | £2,320           |
| Dividend allowance <sup>11</sup>                                   | £5,000           | £5,000           |
| Personal savings allowance for basic rate taxpayers <sup>12</sup>  | £1,000           | £1,000           |
| Personal savings allowance for higher rate taxpayers <sup>12</sup> | £500             | £500             |

## National Insurance Contributions (NIC): Employee and employer rates and thresholds (£ per week)

|   | Tax year 2016-17           | Tax year 2017-18           |
|---|----------------------------|----------------------------|
| Weekly Lower Earnings Limit (LEL) <sup>13</sup>                                   | 112                        | 113                        |
| Weekly Primary Threshold (PT) <sup>13</sup>                                       | 155                        | 157                        |
| Weekly Secondary Threshold (ST) <sup>14</sup>                                     | 156                        | 157                        |
| Upper Earnings Limit (UEL) <sup>15</sup>  | 827                        | 866                        |
| Upper Secondary Threshold for under 21s <sup>15</sup>                             | 827                        | 866                        |
| Apprentice Upper Secondary Threshold (AUST) for under 25s <sup>15</sup>           | 827                        | 866                        |
| Employment Allowance (per employer)   | 3,000 per year             | 3,000 per year             |
| <b>Employee's (primary) Class 1 contribution rates</b>                            | <b>Tax year 2016-17</b>    | <b>Tax year 2017-18</b>    |
| Earnings band <sup>16</sup>   | <b>NIC rate (per cent)</b> | <b>NIC rate (per cent)</b> |
| Below LEL   | 0                          | 0                          |
| LEL - PT <sup>17</sup>  | 0                          | 0                          |
| PT- UEL   | 12                         | 12                         |
| Above UEL   | 2                          | 2                          |
| <b>Married woman's reduced rate for (primary) Class 1 contribution rates</b>      | <b>Tax year 2016-17</b>    | <b>Tax year 2017-18</b>    |
| Weekly earnings from between the PT and UEL                                       | 5.85                       | 5.85                       |
| Weekly earnings from above UEL  | 2                          | 2                          |
| <b>Employer's (secondary) Class 1 contribution rates</b>                          | <b>Tax year 2016-17</b>    | <b>Tax year 2017-18</b>    |
| Earnings band <sup>18</sup>   |                            |                            |
| Below ST  | 0                          | 0                          |
| Above ST  | 13.8                       | 13.8                       |
| <b>Employer's (secondary) Class 1 contribution rates for employees under 21</b>   | <b>Tax year 2016-17</b>    | <b>Tax year 2017-18</b>    |
| Earnings band <sup>19</sup>   |                            |                            |
| Below UST   | 0                          | 0                          |
| Above UST   | 13.8                       | 13.8                       |
| <b>Employer's (secondary) Class 1 contribution rates for Apprentices under 25</b> | <b>Tax year 2016-17</b>    | <b>Tax year 2017-18</b>    |
| Earnings band <sup>20</sup>   |                            |                            |
| Below AUST  | 0                          | 0                          |

|            |      |      |
|------------|------|------|
| Above AUST | 13.8 | 13.8 |
|------------|------|------|

## **Class 2 NICs: Self-employed rates and thresholds (£ per week)**

|  | <b>Tax year 2016-17</b> | <b>Tax year 2017-18</b> |
|--|-------------------------|-------------------------|
| Small Profits Threshold (SPT) <sup>13</sup>            | 5,965 per year          | 6,025 per year          |
| Class 2 contribution rates <sup>13</sup>               | <b>Tax year 2016-17</b> | <b>Tax year 2017-18</b> |
| Annual Profits (£ a year) <sup>21</sup>                | £ per week              | £ per week              |
| Below SPT  | 0                       | 0                       |
| Above SPT <sup>22</sup>                                | 2.80                    | 2.85                    |
| Special Class 2 rate for share fishermen               | 3.45                    | 3.50                    |
| Special Class 2 rate for volunteer development workers | 5.60                    | 5.65                    |

## **Class 3 NICs: Other rates and thresholds (£ per week)**

|  | <b>Tax year 2016-17</b> | <b>Tax year 2017-18</b> |
|--|-------------------------|-------------------------|
| Voluntary contributions <sup>13 23</sup> | 14.10                   | 14.25                   |

## **Class 4 NICs: Self-employed rates and thresholds (£ per year)**

|   | <b>Tax year 2016-17</b> | <b>Tax year 2017-18</b> |
|---|-------------------------|-------------------------|
| Lower Profits Limit (LPL) <sup>13</sup> | 8,060                   | 8,164                   |
| Upper Profits Limit (UPL) <sup>15</sup> | 43,000                  | 45,000                  |
| Class 4 contribution rates              | <b>Tax year 2016-17</b> | <b>Tax year 2017-18</b> |
| Annual profits band <sup>24</sup>       | NIC rate (per cent)     | NIC rate (per cent)     |
| Below LPL                               | 0                       | 0                       |
| LPL to UPL                              | 9                       | 9                       |
| Above UPL                               | 2                       | 2                       |

## Working and child tax credits

| £ per year (unless stated)                                  | Tax year 2016-17 | Tax year 2017-18 |
|---|------------------|------------------|
| <b>Working tax credit</b>                                   |                  |                  |
| Basic element   | £1,960           | £1,960           |
| Couple and lone parent element                              | £2,010           | £2,010           |
| 30 hour element   | £810             | £810             |
| Disabled worker element                                     | £2,970           | £3,000           |
| Severe disability element                                   | £1,275           | £1,290           |
| <b>Childcare element of the working tax credit</b>          |                  |                  |
| Maximum eligible cost for one child                         | £175 per week    | £175 per week    |
| Maximum eligible cost for two or more children              | £300 per week    | £300 per week    |
| Percentage of eligible costs covered                        | 70%              | 70%              |
| <b>Child tax credit</b>                                     |                  |                  |
| Family element  | £545             | £545             |
| Child element   | £2,780           | £2,780           |
| Disabled child element                                      | £3,140           | £3,175           |
| Severely disabled child element                             | £1,275           | £1,290           |
| <b>Income thresholds and withdrawal rates</b>               |                  |                  |
| Income threshold  | £6,420           | £6,420           |
| Withdrawal rate (per cent)                                  | 41%              | 41%              |
| First threshold for those entitled to child tax credit only | £16,105          | £16,105          |
| Income rise disregard                                       | £2,500           | £2,500           |
| Income fall disregard                                       | £2,500           | £2,500           |

## Child benefit (£ per week)

|                                  | Tax year 2016-17 | Tax year 2017-18 |
|----------------------------------|------------------|------------------|
| Eldest/only child                | £20.70           | £20.70           |
| Other children                   | £13.70           | £13.70           |
| Guardians allowance (£ per week) |                  |                  |
| Guardians allowance              | £16.55           | £16.70           |

## Tax free savings accounts

|   | Tax year 2016-17 | Tax year 2017-18 |
|---|------------------|------------------|
| Individual Savings Account (ISA) subscription limit | £15,240          | £20,000          |
| Junior ISA subscription limit                       | £4,080           | £4,128           |
| Child Trust Fund (CTF) subscription limit           | £4,080           | £4,128           |

## Fuel benefit and van benefit charge

|                                    | Tax year 2016-17 | Tax year 2017-18 |
|------------------------------------|------------------|------------------|
| Car fuel benefit charge multiplier | £22,200          | £22,600          |
| Van fuel benefit charge            | £598             | £610             |
| Van benefit charge                 | £3,170           | £3,230           |

### Notes:

- Apply to non-dividend income, including income from savings, employment, property or pensions. From 2017-18, the main rates will be separated into the main rates, the savings rates and the default rates
- Apply to dividend income received above the £5,000 tax-free Dividend Allowance, introduced in April 2016 to replace the Dividend Tax Credit
- Apply to non-savings, non-dividend income, including income from employment, property or pensions not subject to the Scottish Rate of income tax
- Apply to savings income
- Apply to dividend income received above the £5,000 tax-free Dividend Allowance, introduced in April 2016 to replace the previous Dividend Tax Credit
- Apply to non-savings and non-dividend income of any taxpayer that is not subject to either the Main rates or the Scottish Rates of income tax
- The Personal Allowance reduces where the income is above £100,000 – by £1 for every £2 of income above the £100,000 limit. This reduction applies irrespective of date of birth
- This age-related allowance is reduced by £1 for every £2 of income over this limit
- 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 relief for this allowance is given at 10%.<sup>2</sup>
- From April 2016, the new Dividend Allowance means that individuals will not have to pay tax on the first £5,000 of dividend income they receive
- From April 2016, the new Personal Savings Allowance means that basic rate taxpayers will not have to pay tax on the first £1,000 of savings income they receive and higher rate taxpayers will not have tax to pay on their first £500 of savings income.<sup>2</sup>
- Upated by CPI <sup>2 3 4 5 6</sup>
- Autumn Statement 2016 announced that the Secondary Threshold would be aligned with the Primary Threshold. From April 2018 onwards, it will be uprated in line with CPI
- These thresholds are uprated in line with the Higher Rate Threshold to maintain alignment between the Upper Earnings Limit and Higher Rate Threshold <sup>2 3 4</sup>
- The limits are defined as LEL - Lower Earnings Limit; PT - Primary Threshold; and UEL - Upper Earnings Limit
- No National Insurance contributions (NICs) are actually payable but a notional Class 1 NIC is deemed to have been paid in respect of earnings between the LEL and PT to protect contributory benefit entitlement.
- The limit is defined as ST – Secondary Threshold
- The limit is defined as UST – Upper Secondary Threshold
- The limit is defined as AUST – Apprentice Upper Secondary Threshold
- The Limit is defined as SPT – Small Profits Threshold
- Class 2 NICs are liable to be paid by all self-employed persons with profits above the Small Profits Threshold (SPT). The self-employed may choose to pay Class 2 if their profits are below the SPT
- Class 3 NICs can be paid by contributors to make the year a qualifying year for the basic State Pension (new State Pension from 6 April 2016) and Bereavement Benefit purposes
- These limits are defined as LPL – Lower Profits Limit; and UPL – Upper Profits Limit

## Giving to Charity

### Gift aid

Every £10 donation is worth £12.50 to a charity or a community amateur sports club.

Taxpayers are able to carry back to the previous tax year donations made by the date of submission of the tax return (deadline 31 January after the end of the tax year) for the purpose of higher and additional rate tax relief.

### Payroll giving

An employee or pensioner can request employer or pension payer to make deductions from gross pay. Amount of giving reduces income for tax purposes.

## IHT Rates and Reliefs

The following are the thresholds for IHT:

| Year               | Nil Rate Band |
|--------------------|---------------|
| 2006-07            | £285,000      |
| 2007-08            | £300,000      |
| 2008-09            | £312,000      |
| 2009-10 to 2017-18 | £325,000      |

For married couples and civil partners, the above figures can potentially be doubled from 9 October 2007

### NOTE

The rate of IHT for estates is 40% (36% where more than 10% of net estate is left to charity). The rate for chargeable lifetime transfers is 20%.

| IHT Main Exemptions                             | Exempt Amount          |
|---|------------------------|
| Annual gifts per donor                          | £3,000 per year        |
| Small gifts to same person                      | £250                   |
| To non-domicile spouse                          | £325,000 from 6/4/2013 |
| To UK domicile spouse                           | unlimited gifts        |
| On marriage by either party to the marriage     | £2,500                 |
| On marriage by parent of either party           | £5,000                 |
| On marriage by remoter ancestor of either party | £2,500                 |
| On marriage by any other person                 | £1,000                 |
| To charities                                    | all gifts              |
| To political parties                            | all gifts              |

### IHT Charge on Gifts Within Seven Years of Death

| Years between gift and death | percentage of death rate charge applied to gift |
|------------------------------|---|
| 0 to 3                       | 100%  |
| 3 to 4                       | 80%   |
| 4 to 5                       | 60%   |
| 5 to 6                       | 40%   |
| 6 to 7                       | 20%   |

If an estate includes UK woodlands, a claim may be made to defer IHT on the value of growing timber, subject to meeting certain conditions.

Generous reliefs are available on 'relevant business property'. Qualifying assets can have their IHT values reduced substantially (subject to meeting certain conditions) as shown in the next Table.

## VAT Rates

### Rates (from 4/1/2012):

|               |       |
|---------------|-------|
| Standard rate | 20%   |
| Reduced rate  | 5%    |
| VAT fraction  | 1/6th |

| Limits:                          | Limits to 31/03/17 | Limits from 01/04/17 |
|----------------------------------|--------------------|----------------------|
| Registration limit               | £83,000            | £85,000              |
| Deregistration limit             | £81,000            | £83,000              |
| Annual accounting turnover limit | £1.35m             | £1.35m               |

## Official Rate of Interest

Directors and employees earning £8,500 a year or more (including gross expenses payments and the value of benefits in kind) are taxable on benefits in kind. The amount chargeable to tax in respect of a loan made by an employer is based on the difference between the interest paid by the employee (if any) and the interest, which would have been paid on the loan at the "official rate" of interest.

### Tax year to 5 April

|      |       |
|------|-------|
| 2014 | 4.00% |
| 2015 | 3.25% |
| 2016 | 3.00% |
| 2017 | 3.00% |

## Interest on Late Payment of Tax

### Interest on Late Payment of Tax (from 29/09/09)

|   |    |
|---|----|
| Income Tax, NIC & CGT Stamp Duty and Stamp Duty Reserve Tax | 3% |
| CTSA, from normal due date                                  | 3% |
| Inheritance Tax   | 3% |

## Corporation Tax Rates

From 1 April 2015, all profits are taxed at 20%. Prior to that date, the rates of Corporation Tax are shown in the Table below. The profit limits may be reduced for a company that is part of a group or has associated companies. The lower rates and marginal reliefs do not apply to close investment holding companies.

### CORPORATION TAX RATES

| Year(s) from 1 April | Rate |
|----------------------|------|
| 2015                 | 20%  |
| 2016                 | 20%  |
| 2017                 | 19%  |
| 2018                 | 19%  |
| 2019                 | 19%  |
| 2020                 | 17%  |

## Pensions and Pension Contributions

| Tax Year            | Annual Allowance | Lifetime Allowance |
|---------------------|------------------|--------------------|
| 2006-07             | £215,000         | £1,500,000         |
| 2007-08             | £225,000         | £1,600,000         |
| 2008-09             | £235,000         | £1,650,000         |
| 2009-10             | £245,000         | £1,750,000         |
| 2010-11             | £255,000         | £1,800,000         |
| 2011-12             | £50,000          | £1,800,000         |
| 2012-13 and 2013-14 | £50,000          | £1,500,000         |
| 2014-15 and 2015-16 | £40,000          | £1,250,000         |
| 2016-17 onwards     | £40,000          | £1,000,000         |

### NOTES

- Tax relief – There is no limit on the amount that you can pay into your personal pension and any other pension plans you have, but there is no tax relief on payments over a certain amount. HMRC allows tax relief on your personal payments to your pension plans of up to £2,880 a year (which becomes £3,600 with tax relief), or 100% of your UK taxable earnings if greater.
- Annual Allowance - The Annual Allowance has an overall limit. If total payments from you and your employer to all your pension plans are above the Annual Allowance they may be subject to a tax charge.
- Lifetime Allowance - The Lifetime Allowance is a limit on the amount of money you can build up in all your pension plans without losing tax advantages. Any amount above this allowance will normally be subject to a tax charge when benefits start payment. The Lifetime Allowance is £1,500,000 in the tax year 2012-13 and 2013-14 and £1,250,000 thereafter but dropped to £1m in 2016-17. As well as the amount you're currently building up in pension plans, the Lifetime Allowance also takes into account the value of any pensions already being paid to you and any tax-free lump sums you've received. If you already have pension funds that exceed the Lifetime Allowance or you think may exceed it in future, you should talk to a financial adviser before taking out a personal pension.

## Capital Gains Tax

### Annual Exempt Amount

| Year    | Individuals | Trustees |
|---------|-------------|----------|
| 2014-15 | £11,000     | £5,500   |
| 2015-16 | £11,100     | £5,550   |
| 2016-17 | £11,100     | £5,550   |
| 2017-18 | £11,300     | £5,650   |

### CGT Rate

| Year    | Standard Rate | Higher Rate |
|---------|---------------|-------------|
| 2014-15 | 18%           | 28%         |
| 2015-16 | 18%           | 28%         |
| 2016-17 | 10%           | 20%         |
| 2017-18 | 10%           | 20%         |

Note: for 2016-17 onwards, the reduced rates of CGT as above do not apply to residential property that does not qualify for principal private residence relief and the receipt of carried interest

## Entrepreneurs' Relief

Entrepreneurs' Relief allows individuals and some trustees to claim tax relief for 2008-09 onwards on qualifying gains, up to a maximum lifetime limit, made on the disposal of any of the following:

- all or part of a trade carried on alone or in partnership;
- the assets of such a trade after it has ceased; or
- shares or securities in an individual's personal trading company.

From 6 April 2016, newly issued shares held by external investors in unlisted trading companies also qualify for Entrepreneurs' Relief (subject to certain conditions).

Entrepreneurs' Relief reduces the amount of the Capital Gains Tax (CGT) on a disposal of qualifying business assets on or after 6 April 2008, as long as the qualifying conditions have been met throughout a one-year qualifying period either up to the date of disposal or the date the business ceased.

Qualifying capital gains for each individual are subject to a lifetime limit as follows:

- for disposals on or after 6 April 2008 to 5 April 2010, £1 million
- for disposals on or after 6 April 2010 to 22 June 2010, £2 million
- for disposals on or after 23 June 2010 to 5 April 2011, £5 million, and
- for disposals on or after 6 April 2011, £10 million

### Amount of relief

If you are entitled to Entrepreneurs' Relief, qualifying gains up to the lifetime limit applying at the time you make your disposal, will be charged to CGT at the rate of 10%.

If the qualifying gains together with all previous gains on which you have claimed Entrepreneurs' Relief exceed the lifetime limit applying at the time you make your disposal, the whole of the excess will be taxable at the normal rate of CGT at the time your gains accrue.

## Capital Allowances

Capital allowances are:

| Tax Years   | 2013-14  | 2014-15 onwards  |
|---|----------|--|
| Writing Down Allowance (WDA) on Plant & Machinery in the general pool   | 18%      | 18%  |
| WDA on Plant & Machinery Long Life assets in the general pool and on integral fixtures  | 18%      | 8%   |
| Annual Investment Allowance (AIA) available at 100% on qualifying expenditure on most Plant & Machinery (apart from cars) of up to: | £250,000 | £500,000 from April 2014 (1/4/2014 for companies and 6/4/2014 for income tax payers) until 31 December 2015 after which it reverted to £200,000. |

## Tax Shelters

Tax shelters are as follows:

|  |   |                |
|--|---|----------------|
| Venture Capital Trusts - investment limit and rate of tax relief (maximum)   | £200,000 (relief at 30%)  |                |
| EIS – investment limit and rate of tax relief (maximum)  | From 6/4/12, the limit was increased to £1m. From 6/4/11, the rate of tax relief was increased from 20% to 30%.   |                |
| Seed EIS (SEIS) offers 50% income tax relief on investments in small early stage companies carrying on, or preparing to carry on, a new business in a qualifying trade. There is no charge to CGT if the shares on which SEIS income tax relief has been given are disposed of after 3 years. A claim to CGT reinvestment relief can be made – from 2013-14 onwards the relief applies to half the qualifying reinvested amount. | The income tax relief is available on total investments up to £150,000 per company. To give the greatest degree of flexibility, this is a cumulative limit, not an annual limit. For individual investors there is an annual limit on the amount of qualifying investments of £100,000. |                |
| Tax-free employment termination  | £30,000 for 2016-17 and 2017-18.  |                |
| Tax-free "rent-a-room" income  | £4,250 (£2,125 if letting jointly) for 2014-15 and 2015-16<br>£7,500 (£3,750 if letting jointly) from 2016-17   |                |
| ISAs (New ISA from 1/7/2014)   | <b>2016-17</b>  | <b>2017-18</b> |
| Overall investment limit   | £15,240   | £20,000        |
| Junior ISA limit   | £4,080  | £4,128         |

## Research and Development Tax Relief

Enhanced tax deduction for companies' R&D expenditure

|                            | <b>2016-17</b> | <b>2017-18</b> |
|----------------------------|----------------|----------------|
| <b>SMEs:</b>               |                |                |
| R&D Tax Credits SME Scheme | 230%           | 230%           |
| R&D SME payable credit     | 14.5%          | 14.5%          |
| <b>Large Companies:</b>    |                |                |
| R&D Expenditure Credit     | 11%            | 11%            |

### NOTES

- 1 A loss-making SME may claim a payable tax credit. Tax relief under the SME scheme is capped at €7.5m per project.
- 2 From 1 April 2016 only the repayable tax credit is available for claims under the Large Company Scheme.

## Tax Calendar to the end of 2017

**SELF ASSESSMENT:** The following dates apply to those who are employed, self-employed, and all other taxpayers

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- 30-Dec-16** For those with a tax liability of less than £3,000, if you file your self-assessment tax return on-line by this date, the tax office will adjust your PAYE code (provided you are an employee) so that you can pay any tax due for 2014/15 over time through PAYE, rather than as a lump sum on 31 January 2017.
- 31-Jan-17** If you were sent a 2015/16 tax return, this is the deadline for sending back the completed return. This is also the deadline for paying the balance of any tax that you owe for 2015/16.
- Some people may have to make "payments on account". Each payment will normally equal one half of the previous year's tax liability (after taking off tax deducted at source and tax credits on dividends). The payments are due on 31 January in the tax year and 31 July following the tax year.
- Any Capital Gains Tax due for 2015/16 would be part of, or form, the balancing payment due on this date.
- If either the balancing payment for 2015/16 or first payment on account for 2016/17 is not made by this date, then interest will be charged. If you have not made the balancing payment for 2014/15 by this date, a third automatic 5% surcharge will be applied.
- If you were sent a tax return for 2015/16, you will be charged a penalty of £100 if HMRC has not received your return by this date. The penalty increases over time – see [www.hmrc.gov.uk/sa/deadlines-penalties.htm#3](http://www.hmrc.gov.uk/sa/deadlines-penalties.htm#3) for details.
- 28-Feb-17** If you have not made the balancing payment due for 2015/16 by this date, a first automatic 5% surcharge will be applied. The 5% surcharge does not apply to late payment of the first payment on account for 2015/16.
- 05-Apr-17** The last day of the 2016/17 tax year.
- 31-May-17** By this date, your employer should have given you a Form P60 (pay and tax details from employment) to assist you with the completion of your tax return for the year ended 5 April 2017.
- 06-Jul-17** If applicable to you, your employer must provide you with a copy of Form P11D showing details of the benefits in kind provided to you or expense payments reimbursed to you, for the last tax year. Benefits in kind include, for example, the provision of a company car.
- 31-Jul-17** Some people may have to make payments on account. Each payment will normally equal one half of the previous year's tax liability (after taking off tax deducted at source and tax credits on dividends). The payments are due on 31 January in the tax year and 31 July following the tax year.
- If you need to make a second payment on account for the tax year ending on 5 April 2017, this is the date by which it should be made.
- If you have still not made a balancing payment of tax for 2015/16 by this date, you will be charged a second automatic 5% surcharge. The second 5% surcharge does not apply to late payment of the first payment on account for 2015/16.
- If you have been sent an Annual Declaration to renew your tax credits, you should provide the information no later than this date.
- 05-Oct-17** You must tell HMRC of any income or capital gains you have received in the 2016/17 tax year, if you have not received a tax return. You have a legal obligation to do this. HMRC may, or may not, need to send you a tax return - some taxpayers will be able to pay the right amount of tax through an adjustment to their PAYE code.
- 31-Oct-17** If you were sent a 2016/17 tax return, this is the deadline for sending back the completed paper tax return. Paper tax returns must be filed by this date if you want HMRC to collect any unpaid tax (of under £3,000) for 2016/17 through PAYE. For self-assessment tax returns filed on-line, the filing deadline is 31 January 2018.
- 30-Dec-17** For those with a tax liability of less than £3,000, if you file your self-assessment tax return on-line by this date, the tax office will adjust your PAYE code (provided you are an employee) so that you can pay any tax due for 2016/17 over time through PAYE, rather than as a lump sum on 31 January 2018.

## PARTNERS AND PARTNERSHIPS: The following are dates for Partners and Partnerships and Members of LLPs

- 31-Jan-17** If you were sent a 2015/16 tax return, this is the deadline for sending back the completed return.  
This is also the deadline for paying the balance of any tax that you owe for 2015/16.
- Some people may have to make "payments on account". Each payment will normally equal one half of the previous year's tax liability (after taking off tax deducted at source and tax credits on dividends). The payments are due on 31 January in the tax year and 31 July following the tax year.
- Any Capital Gains Tax due for 2015/16 would be part of, or form, the balancing payment due on this date.
- If either the balancing payment for 2015/16 or first payment on account for 2016/17 is not made by this date, then interest will be charged.
- For members of a partnership or limited liability partnership, this is the deadline by which the completed 2015/16 partnership tax return should be sent back to HMRC.
- If either the balancing payment for 2015/16 or first payment on account for 2016/17 is not made by this date, then interest will be charged. If you have not made the balancing payment for 2014/15 by this date, a third automatic 5% surcharge will be applied.
- 01-Feb-17** If you were sent a tax return for 2015/16, you will be charged a penalty of £100 if HMRC has not received your return by this date. The penalty increases over time – see [www.hmrc.gov.uk/sa/deadlines-penalties.htm#3](http://www.hmrc.gov.uk/sa/deadlines-penalties.htm#3) for details.
- Where HMRC has not received the completed 2015/16 partnership tax return by this date, each member of the partnership or limited liability partnership will be charged a penalty of £100. This penalty applies even if the member does not have a liability to tax for the year.
- 28-Feb-17** If you have not made the balancing payment due for 2015/16 by this date, a first automatic 5% surcharge will be applied. The 5% surcharge does not apply to late payment of the first payment on account for 2016/17.
- 05-Apr-17** The last day of the 2016/17 tax year.
- 05-Jul-17** You must make a claim to HMRC for any new tax credits to which you are entitled (in order to receive full entitlement).
- 31-Jul-17** Some people may have to make payments on account. Each payment will normally equal one half of the previous year's tax liability (after taking off tax deducted at source and tax credits on dividends). The payments are due on 31 January in the tax year and 31 July following the tax year.
- If you need to make a second payment on account for the tax year ending on 5 April 2017, this is the date by which it should be made.
- If you have still not made a balancing payment of tax for 2015/16 by this date, you will be charged a second automatic 5% surcharge. The second 5% surcharge does not apply to late payment of the first payment on account for 2016/17.
- If you have been sent an Annual Declaration to renew your tax credits, you should provide the information no later than this date.
- 05-Oct-17** You must tell HMRC of any income or capital gains you have received in the 2016/17 tax year, if you have not received a tax return. You have a legal obligation to do this.
- 31-Oct-17** If you want HMRC to calculate your 2016/17 tax liability, your paper 2016/17 tax return must be with them by this date.
- The deadline for internet filed returns for 2016/17 tax returns is 31 January 2018.

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COMPANIES AND EMPLOYERS: The following are dates for companies and employers.

NOTE: Dates relating to companies only are highlighted in purple.

|                                   |   |
|-----------------------------------|---|
| <b>14-Jan-17</b> (Companies only) | Due date for income tax due for the CT61 (Quarterly accounting) quarter to 31 December 2016.  |
| <b>19-Jan-17</b>                  | Monthly PAYE/NIC to 5 January 2017 due.   |
| <b>02-Feb-17</b>                  | Last day for notifying car changes in quarter to 5 January 2017 - Form P46 (Car).   |
| <b>19-Feb-17</b>                  | Monthly PAYE/NIC to 5 February 2017 due.  |
| <b>19-Mar-17</b>                  | Monthly PAYE/NIC to 5 March 2017 due.   |
| <b>31-Mar-17</b> (Companies only) | End of Corporation Tax financial year.<br>Corporation tax return for the year ended 31 March 2016 to be filed by this date to avoid £100 penalty (£500 for third consecutive default).  |
| <b>06-Apr-17</b>                  | Real Time Information (RTI) started on 6 April 2013. RTI should improve the operation of the PAYE system by creating more up-to-date taxpayer records and making it easier for employers and HMRC to administer. The fundamentals of PAYE will stay the same, but employers and pension providers will send PAYE information to HMRC each time they pay their employees, rather than after the end of the tax year. See: <a href="http://www.hmrc.gov.uk/about/briefings/briefing-rti-payee.pdf">http://www.hmrc.gov.uk/about/briefings/briefing-rti-payee.pdf</a> for further information. |
| <b>14 Apr-17</b> (Companies only) | Due date for income tax due for the CT61 (Quarterly accounting) quarter to 31 March 2017.   |
| <b>19-Apr-17</b>                  | Monthly PAYE/NIC to 5 April 2017 due. Any arrears of PAYE/NIC due for the year ended 5 April 2017 to be paid by this date.  |
| <b>03-May-17</b>                  | Last day for notifying car changes in quarter to 5 April 2017 - Form P46 (Car).   |
| <b>19-May-17</b>                  | Monthly PAYE/NIC to 5 May 2017 due.   |
| <b>31-May-17</b>                  | If you are an employer, you must provide a form P60 (showing pay and tax details) to each employee who is working for you at the end of the tax year and for whom you have completed P11. For an employee who left before 5 April they receive a P45.   |
| <b>19-Jun-17</b>                  | Monthly PAYE/NIC to 5 June 2017 due.  |
| <b>01-Jul-17</b> (Companies only) | Corporation tax return for the year ended 31 March 2016, not filed before 31 March 2017, to be filed by this date to avoid a minimum £200 penalty (£1,000 for third consecutive default).<br>Tax geared penalties apply where returns are filed more than 18 months after the end of the return period.   |
| <b>06-Jul-17</b>                  | Copies of Forms P11D, showing details of the benefits in kind provided and/or expense payments reimbursed, for the year ended 5 April 2017 must be provided to all current employees (and to ex-employees who request them).  |
| <b>14-Jul-17</b> (Companies only) | Due date for income tax due for the CT61 (Quarterly accounting) quarter to 30 June 2017.  |
| <b>19-Jul-17</b>                  | Monthly PAYE/NIC to 5 July 2017 due.<br>Employers Class 1A NICs on Relevant Benefits in Kind must be paid.  |
| <b>19-Aug-17</b>                  | Monthly PAYE/NIC to 5 August 2017 due.  |
| <b>19-Sep-17</b>                  | Monthly PAYE/NIC to 5 September 2017 due.   |
| <b>14-Oct-17</b> (Companies only) | Due date for income tax due for the CT61 (Quarterly accounting) quarter to 30 September 2017.   |
| <b>19-Oct-17</b>                  | Monthly PAYE/NIC to 5 October 2017 due.   |
| <b>19-Nov-17</b>                  | Monthly PAYE/NIC to 5 November 2017 due.  |
| <b>19-Dec-17</b>                  | Monthly PAYE/NIC to 5 December 2017 due.  |

Dates that only apply to companies:

|   |   |
|---|---|
| <b>9 months + 1 day, after company year end</b>                             | Corporation Tax for the year to be paid.  |
| <b>9 months (6 months for PLCs) after company year end</b>                  | Company accounts for the year to be filed with Companies House.   |
| <b>12 months after company year end</b>                                     | Company accounts for the year to be filed with HMRC, together with Corporation Tax return Form CT600.   |
| <b>Confirmation Statement (usually) on anniversary of company formation</b> | Confirmation Statement showing details of Company officers and People with Significant Control to be filed with Companies House, within 14 days together with filing fee.   |
| <b>Quarterly (unless monthly or annual accounting opted for)</b>            | VAT Return to be filed with Customs & Excise: for accounting periods beginning on or after 1 April 2012, virtually all VAT registered businesses must submit their VAT return online. You can only submit a paper return where you have been advised that you are exempt from submitting your return online. The deadline for submission of the VAT return, and payment of the VAT (HMRC must receive cleared funds by the deadline date), is one month and seven days from the end of the VAT quarter. |

## Further Information

This Budget Report was prepared immediately after the Chancellor's Budget Statement on 8 March 2017 and is based on official press releases and supporting documentation. This publication focuses on taxation and summarises many, but not all, of the proposals and new measures issued in the press releases published today – these run to hundreds of pages.

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The Budget proposals are subject to amendment before the 2017 Finance Act receives Royal Assent.

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