



Budget Report 2017/18

HEADLINE CHANGES

- Tax-Free Dividend Changes from £5,000 to £2,000
- Class 2 Self-Employed NI Contributions being scrapped and Class 4 NICs increasing by 1%
- Personal Allowance to rise to £11,500
- Making Tax Digital, businesses given a further year.
- Lifetime ISA becoming available from April 2017.
- A new 25% tax charge on transfers to overseas pension schemes.
- Measures to help small business with the changes in business rates.

Inside...

- Personal Tax
- Business
- Savings and Pensions
- VAT
- Additional Changes
- Further Announcements



Personal Tax

SELF-EMPLOYED NI CONTRIBUTIONS

From April 2018 we are going to see the Class 2 national insurance contributions **SCRAPPED** and the main rate of Class 4 NI Contributions for the self-employed increase from 9% to 10% and then a further 1% by April 2019. This could add just under £1,000 per annum to contributions in certain cases.

So How will this affect you?

An Example: Winners and Losers

- A self-employed hairdresser - with average earnings of £12,700 - will be £70 better off
- A self-employed taxi driver - with average earnings of £17,300 - will be £20 worse off
- A self-employed management consultant - with average earnings of £51,100 - will be £620 worse off.

The latter may resort to the limited company route of course (but see dividend tax changes.)

SHAREHOLDERS DIVIDEND ALLOWANCE

There will be a reduction in the tax free dividend which was introduced in April 2016 from £5,000 to £2,000. This will come from April 2018 onwards and will see a tax increase for those using the maximum of this tax free allowance.

Dividend income paid on shares held in a stocks and shares ISA will stay tax free.

PERSONAL ALLOWANCE

The personal tax-free allowance will rise to £11,500 from 6 April 2017 as planned in the last budget. It will then rise a further £1000 to £12,500 by 2020. And the higher rate threshold will rise to £45,000 in the UK and stay at £43,000 in Scotland.

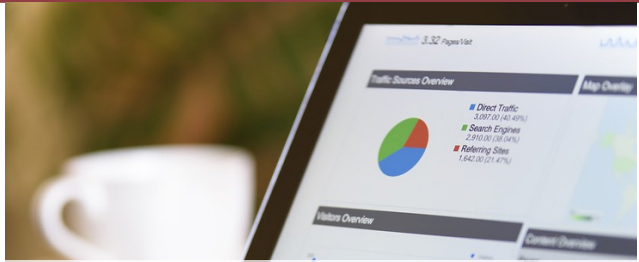
Please talk to us if we are sorting out your RTI as you may want to increase salaries.



BUSINESS RATES

The government will provide £435 million of further support for businesses facing significant increases in bills due to the English business rates revaluation from April 2017. This support is in addition to the £3.6 billion transitional relief announced in November 2016, and includes:

- Limiting the annual increase for small businesses losing Small Business Rate Relief to the greater of £600 or the real terms transitional relief cap;
- A £300 million business rates hardship fund to enable local authorities to grant discretionary relief to individual hardship cases; and
- A one year £1,000 business rate discount for Pubs with a rateable value of up to £100,000. Let's face it we will all need a drink after this budget!



MAKING TAX DIGITAL

Unincorporated businesses and landlords that have an annual turnover below the VAT threshold will now have until April 2019 to prepare before making tax digital (MTD) becomes mandatory. MTD will require businesses to use digital software to keep tax records and update HMRC on a quarterly basis - please talk to us about this as we can help with the new process.

Businesses, self-employed people and landlords will be required to start using the new digital service from:

- April 2018 if they have profits chargeable to income tax and pay class 4 national insurance contributions (NICs) and their turnovers are in excess of the VAT threshold
- April 2019 if they have profits chargeable to income tax and pay class 4 NICs and their turnovers are below the VAT threshold (as above)
- April 2019 if they are registered for and pay VAT from April 2020 if they pay corporation tax.

Businesses, self-employed people and landlords with turnovers of less than £10,000 per annum are exempt from these requirements.

We will be sending further MTD details out soon.

CORPORATION TAX

The Headline Corporation Tax rate is still on course to reduce to 17% by 2020. Starting with the reduction to 19% this coming April. Let us do the maths for you on this if you are morphing to new entity.

Savings and Pensions

OVERSEAS PENSION SCHEME

This years Budget continues the government's theme of focusing on pension scams and ways that the pension system can be abused. Those retiring abroad could see a 25% charge on the value of their pensions if they decide to transfer into an overseas scheme. Whilst this is only likely to affect those leaving the European Economic Area for now, post Brexit this could also impact those retiring within Europe.

MONEY PURCHASE ANNUAL ALLOWANCE

The government have reduced the Money purchase annual allowance from £10,00 to £4,000 as of 6 April 2017.



LIFETIME ISA

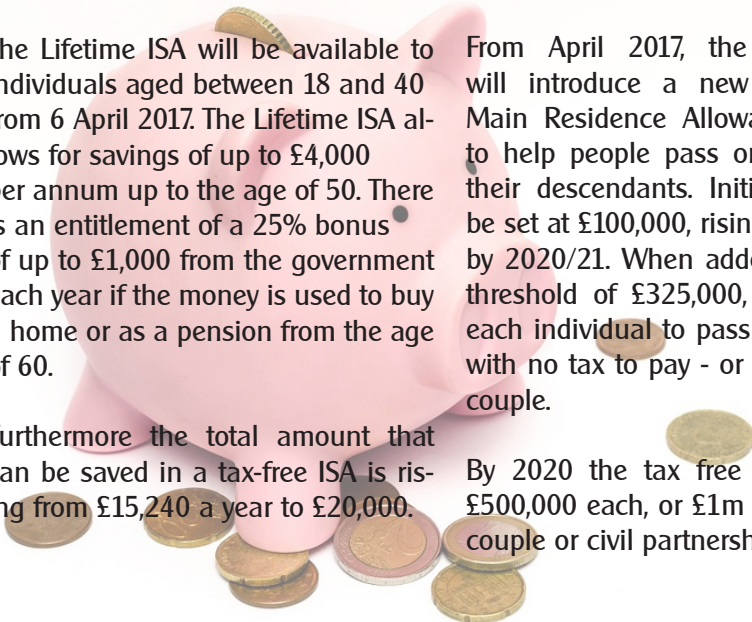
The Lifetime ISA will be available to individuals aged between 18 and 40 from 6 April 2017. The Lifetime ISA allows for savings of up to £4,000 per annum up to the age of 50. There is an entitlement of a 25% bonus of up to £1,000 from the government each year if the money is used to buy a home or as a pension from the age of 60.

Furthermore the total amount that can be saved in a tax-free ISA is rising from £15,240 a year to £20,000.

INHERITANCE TAX

From April 2017, the government will introduce a new Transferable Main Residence Allowance (TMRA), to help people pass on property to their descendants. Initially this will be set at £100,000, rising to £175,000 by 2020/21. When added to the IHT threshold of £325,000, it will allow each individual to pass on £425,000 with no tax to pay - or £850,000 per couple.

By 2020 the tax free limit will be £500,000 each, or £1m for a married couple or civil partnership.



VAT

With effect from 1 April 2017, businesses eligible to use the flat rate scheme but which are classified as 'limited cost' businesses, will have to account for VAT at 16.5% of their relevant gross turnover.

A 'limited cost' business is one which spends the following on relevant goods:

- Less than 2% of its VAT flat rate turnover
- Greater than 2% of its VAT flat rate turnover but less than £1,000 per year. Relevant goods are those which are used exclusively for business purposes, but exclude the following:

- Vehicle costs including fuel, unless the business is operating in the transport sector using its own, or a leased vehicle

- Food or drink for the business or its staff
- Capital expenditure goods of any value
- Goods for resale, leasing, letting or hiring out if the main business activity is not ordinarily the selling, leasing, letting or hiring out of such goods

- Goods for re-selling or hiring out, unless selling or hiring is the main business activity.

The measure is designed to ensure fairness of treatment for businesses which are considered to be receiving an unfair advantage from the classification and rate they currently use.

Those whose returns straddle 1 April will have to split their accounting between the old and new rates.

Additional Changes

A Long list of changes, announced in the previous Budgets and Autumn statements will come into force in April and subsequent months. They include;

- Any family that has a 3rd or subsequent child born after April will not qualify for child tax credit, which can be more than £2000 per child. This will also apply to families claiming Universal Credit for the first time after April.
- The family element of child tax credits, worth £545 per year, will be abolished. So families in which the eldest child is born on or after 6 April will not receive payment.
- Many Buy-to-Let landlords will see the amount of tax relief they can claim on mortgage interest payments cut over the course of 4 years from April. They will only be able to claim at the lower rate tax, not higher.
- New Vehicle Excise Duty (VED) bands are to be introduced for cars registered from April - zero, standard and premium.
- In May, probate fees will change, costing significantly more for large estates.
- The National Living wage will rise from £7.20 to £7.50 in April, for those aged 25 and over.
- Fuel duty will be frozen for the 7th year, but the cost of vehicle insurance may rise owing to an increase premium tax from 10% to 12% in June.

Further Announcements

- £300m to support 1,000 new PhD places and fellowships in STEM (Science, technology, engineering and maths) subjects.
- Free school transport extended to all children on free school meals who attend a selective school.
- New T-Levels to be introduced to give parity of esteem for technical education.
- Number of hours of training for technical student aged 16-19 increased by more than 50%, including a high-quality, three-month work placement.
- £270m for new technologies such as robots and driver-less cars.
- £16m for 5G mobile technology and £220m for local broadband networks.
- Funding of £5m to support people returning to work after a career break,
- Duty on Beer, Cider, wine and spirits will increase with RPI. Hence 2p on a pint of beer, 1p on a pint of cider, 36p on a bottle of whisky and 32p on a bottle of gin.
- Vehicle excise duty rates for hauliers and the HGV Road user levy frozen for another year.
- Fuel Duty frozen for another year
- A further £5m committed to projects to celebrate the centenary of women first getting the vote, and to educate young people about its significance.
- £320m of funding for 110 new free schools and grammar schools.



HARGREAVES & CO
Accountants

Hargreaves & Co.
Oak Court
Charmwood Centre
Bartley
Southampton
SO40 2NA

Tel : 02380 812162

admin@hargreavesgroup.com