investors CHRONICLE

2016/17 TAXFAX





BLICK ROTHENBERG
Chartered Accountants

TAXFAX 2016/17

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Allowances and reliefs

	2016/17	2015/16	Notes
Personal allowance			
Born after 5 April 1938	**£11,000**	£10,600	i, iv
Born before 6 April 1938	**£11,000**	£10,660	i, ii, iv
10% of the personal allowance can be transferred between spouses/ civil partners where neither partner is a higher rate tax payer			iv
Married/civil partner's allowance			
At least one partner born before 6 April 1935	**£8,355**	£8,355	iii, iv
Minimum married/civil partner's allowance	**£3,220**	£3,220	iii, iv
Savings allowance for basic rate taxpayer	**£1,000**	n/a	
Savings allowance for higher rate taxpayer	**£500**	n/a	
Dividend allowance	**£5,000**	n/a	
Blind person's allowance	**£2,290**	£2,290	
Rent-a-room - maximum	**£7,500**	£4,250	
Maximum 'golden handshake'	**£30,000**	£30,000	
High income child benefit charge threshold	**£50,000**	£50,000	v

Notes

i Reduced by £1 for every £2 of income over £100,000

ii Age allowance reduced to personal allowance by £1 for every £2 over £27,700

iii Available to persons born before 6 April 1935.
- Allowance given at 10%
- Reduced to the minimum allowance by £1 for every £2 over £27,700
- Apply personal allowance reduction first

iv Non-residents may not be entitled to personal allowances in certain circumstances

v Charge of 1% of the benefit per £100 of adjusted net income over £50,000. 100% of the benefit when adjusted net income reaches £60,000

Individuals - Income Tax rates and bands

	2016/17	2015/16
Bands		
Starting rate limit*	**£5,000**	£5,000
Basic rate band	**£0 - £32,000**	£0 - £31,785
Higher rate band	**£32,001 - £150,000**	£31,786 - £150,000
Additional rate band	**Over £150,000**	Over £150,000

*Not available where utilised by taxable non-savings income

	2016/17	2015/16
Rates		
Basic rate	**20%**	20%
Higher rate	**40%**	40%
Additional rate	**45%**	45%
Savings income Starting rate for savings income	**0%**	0%
Dividend ordinary rate for dividends otherwise taxable at the basic rate	**7.5%*** **	10% (0%**)
Dividend upper rate for dividends otherwise taxable at the higher rate	**32.5%*** **	32.5% (25%**)
Dividend additional rate for dividends otherwise taxable at the additional rate	**38.1%*** **	37.5% (30.56%**)

**Effective rate of tax where dividends qualified for 1/9th non-repayable tax credit
***After accounting for dividend allowance

Bank interest - from April 2016, banks will cease to deduct basic rate tax at source

Trusts - Income Tax rates

	2016/17		2015/16	
	Dividends	**Other**	Dividends	Other
Interest in possession trusts and up to £1,000 for discretionary and accumulation and maintenance trusts	**7.5%**	**20%**	10% (0%*)	20%
On income for non-interest in possession trusts over £1,000	**38.1%**	**45%**	37.5% (30.56%*)	45%

*Effective rate of tax where dividends qualified for 1/9th non-repayable tax credit

Trusts where the settlor or spouse/civil partner retains an interest are taxed as the income of the settlor

Trusts for the vulnerable can be taxed as beneficiary's income

Pension contribution reliefs

	2016/17	2015/16		Notes
Lifetime allowance	**£1m**	£1.25m		i
Annual allowance	**£40,000**	Pre 9 July £80,000	Post 8 July £0	ii, iii, iv, v, vi

Notes

i Subject to any registration of protected pension funds, aggregate retirement benefits in excess of the lifetime allowance of £1m may be subject to the lifetime allowance charge of 55% of the surplus benefit

ii Personal contributions cannot exceed 100% of earnings or, when aggregated with employer contributions, the annual allowance, plus unused allowances carried forward from the previous three years (N.B. the 2013/14 annual allowance was £50,000)
Contributions in excess of the annual allowance are taxed at up to 45%

iii Those who 'flexi-access' their defined contributions pension funds are subject to the money purchase annual allowance of £10,000 (with no carry forward) in respect of contributions to defined contribution pension schemes

iv From 2016/17 the annual allowance will be reduced by £1 for every £2 of income from all sources over £150,000 to a minimum of £10,000

v Up to £3,600 p.a. gross can be paid into pensions irrespective of earnings to age 75

vi Any unused annual allowance from pre 9 July 2015 is carried forward to post 8 July 2015 subject to a maximum of £40,000

Capital Gains Tax ("CGT")

Rates for individuals and trusts	2016/17	2015/16
Basic and standard rate taxpayers	**10%***	18%
Higher and additional rate taxpayers	**20%***	28%
Trusts and personal representatives	**20%***	28%
Gains qualifying for Entrepreneurs' Relief	**10%**	10%

* An 8% surcharge applies on gains on disposals of residential property and carried interest.

Exemptions and reliefs

Annual exemption		
Individuals	**£11,100**	£11,100
Trusts	**£5,550**	£5,550
Entrepreneurs' Relief		
Maximum lifetime allowance	**£10m**	£10m
Long-term investors' lifetime allowance	**£10m**	£n/a

Exempt assets include cars, foreign currency and chattels worth less than £6,000

Married couples/civil partnerships (unless permanently separated)
Transfers between spouses/civil partners give rise to no gain and no loss and the recipient is deemed to have acquired the asset at the original cost

Main residence relief
Main residence relief exempts gains on the family home from CGT. Additionally the final 18 months of ownership qualifies for exemption (where the residence has been a person's main home at some time)

From 6 April 2015 individuals, or their spouse/civil partner, who claim main residence relief on a property which is not situated in the country where they are tax resident will need to stay in that property for at least 90 midnights per tax year for it to be eligible for relief

Non-residents' CGT
From 6 April 2015 non-UK residents are subject to CGT on disposals of UK residential property, on the increase in the value from 6 April 2015 only. Returns have to be filed with HMRC within 30 days of conveyance

Inheritance Tax ("IHT")

Rates and bands

On death	**2016/17**	2015/16	Notes
Nil rate band £1 - £325,000	**0%**	0%	i
Over £325,000	**40%**	40%	ii

Notes

i Nil rate band for estate of surviving spouse is increased by the percentage of the nil rate band unutilised by the predeceased spouse

ii Tax rate reduces to 36% when at least 10% of net chargeable estate is left to charity

Lifetime gifts to
- An individual - initially not chargeable and fully exempt after 7 years
- Relevant property trusts - excess over available nil rate band taxable at 20%

Death within seven years of lifetime gifts - tax on value gifted is payable at death rates subject to taper relief (and credit for any lifetime taxes paid):

Years	0-3	3-4	4-5	5-6	6-7	Over 7
Taper relief	0%	20%	40%	60%	80%	100%

Main exemptions

- Spouse/civil partner - both UK domiciled (or transferor non-domiciled) **unlimited**
- Gift from UK domiciled to non-UK domiciled spouse/civil partner (An election is available for the non-domiciled spouse/civil partner to be treated as UK domiciled for IHT purposes) £325,000
- Total annual gifts per donor £3,000
- Small gifts per donee not exceeding £250
- Marriage/civil partnership gifts by
  - parent £5,000
  - other 'relative' £2,500
  - other £1,000
- Regular gifts out of surplus income **unlimited**
- UK charities plus those in the EU, Norway and Iceland, and political parties in the UK **unlimited**
- Business and agricultural property relief
  Can be available at 50% or 100% on qualifying business or agricultural property

Payment and filing date
6 months after the end of the month of the death/chargeable transfer

Tax saving investments

2016/17 and 2015/16

Subscriptions for shares in qualifying Enterprise Investment Scheme ("EIS") companies, Seed Enterprise Investment Scheme ("SEIS") companies, Venture Capital Trust ("VCT") companies, and Social Investment Tax Relief ("SITR") enterprises benefit from the following tax reliefs:

	Income Tax relief	CGT status on sale	CGT deferral	Maximum qualifying investment	Holding period to retain tax relief
EIS	30%	Exempt	Yes	£1,000,000	3 years
SEIS	50%	Exempt	Up to 50% exempt	£100,000	3 years
VCT*	30%	Exempt	No	£200,000	5 years
SITR	30%	Exempt	Yes	£1,000,000	3 years

* Investors pay no tax on dividends received

Individual Savings Accounts ("ISAs")

	2016/17	2015/16	Notes
Cash and shares combined limit	**£15,240**	£15,240	i
Junior ISA	**£4,080**	£4,080	i, ii
Help to buy ISA	**£2,400**	£2,400	iii

Notes

i Withdrawals that are paid back within same tax year do not count towards annual limit

ii Available to children not entitled to a Child Trust Fund

iii First time buyers over 16: maximum initial deposit £1,000 and maximum monthly savings £200. The government will boost savings by 25% up to a maximum of £3,000 per person on purchase of first home up to £450,000 in London or £250,000 outside London

Corporation Tax and Diverted Profits Tax

	2016/17	2015/16	Note
Corporation Tax - all profits and gains	**20%**	20%	i
Diverted Profits Tax	**25%**	25%	ii

Note

i Reduction in corporation tax rate to 19% from 1 April 2017, reducing further to 17% from 1 April 2020

ii Applies to profits of large entities diverted from the UK as a result of an avoided permanent establishment or transactions which lack economic substance

Research and Development ("R&D") tax credits

	2016/17	2015/16	Notes
SME enhanced deduction scheme	**130%**	130%	i
SME cash credit for R&D loss surrendered	**14.5%**	14.5%	
Large company above the line credit	**11%**	11%	ii

Notes

i Additional (enhanced) tax deduction available for qualifying R&D expenditure

ii Taxable credit available on qualifying R&D expenditure

Patent box

	2016/17	2015/16	Note
Effective rate of tax on qualifying profits	**11%**	12%	i

Note

i New regime to operate from 1 July 2016; lower rate dependant on, and proportional to, the extent of R&D expenditure incurred
Existing regime available until 2021 if opt in election made by 30 June 2016

Capital allowances

	2016/17	2015/16	Notes
Plant and machinery			
Annual investment allowance	**100%**	100%	i
Long life assets (at least 25 years) and integral features	**8%**	8%	ii
Other assets	**18%**	18%	ii
First year allowances	**100%**	100%	
R&D, enterprise zone (qualifying zones), energy-saving technologies (including cars), water efficient technology, brand new zero-emission goods vehicles, business premises renovation			
Cars CO_2 emissions (g/km)			
75 or less	**100%**	100%	
76 - 130	**18%**	18%	ii
over 130	**8%**	8%	ii, iii

Intangibles including goodwill and intellectual property but excluding purchased goodwill and customer related intangible assets acquired after 8 July 2015. Allowance in line with accounting depreciation subject to a minimum of 4% p.a.

Notes

i To 31 December 2015 maximum £500,000 p.a. From 1 January 2016 maximum £200,000 p.a.

ii reducing balance basis

iii leased cars with CO_2 emissions in excess of 130g/km - 15% of lease charges are disallowed

Value Added Tax ("VAT")

	2016/17 and 2015/16
Standard rate	**20%**
Reduced rate	**5%**

VAT thresholds

	If annual taxable turnover is:
Registration required:	
UK established businesses	More than £83,000 (1 April 2016)
Non-UK established businesses	n/a
Deregistration is possible	Less than £81,000 (1 April 2016)
Distance selling (goods supplied from other EU countries to UK private consumers)	More than £70,000 (in a calendar year)
Eligible to use Cash Accounting Scheme	Less than £1,350,000
Eligible to use Annual Accounting Scheme	Less than £1,350,000
Eligible to use Flat Rate Scheme	Less than £150,000

Car fuel scale charges (where there is private use of fuel)
Bands based on CO_2 emissions with VAT charges for a 3 month period of between £26 and £91.33

Stamp Duty and Stamp Duty Land Tax

Chargeable: Acquisition of land, property, shares and interests in partnerships

Stamp Duty Land Tax **2016/17** and 2015/16
Property purchased in England, Wales and Northern Ireland

Residential (purchase price/premium payable)

Rate*	£
0%	**Up to 125,000**
2%	**125,001 to 250,000**
5%	**250,001 to 925,000**
10%	**925,001 to 1,500,000**
12%	**Over 1,500,000**

15%** Enveloped properties over £500,000

3% supplement from 1 April 2016 to residential rates for second residential property

Non-residential/mixed use (purchase price/premium payable)

Rate**	£
Up to 16 March 2016	
0%	Up to 150,000
1%	150,001 to 250,000
3%	250,001 to 500,000
4%	Over 500,000

Rate*	**£**
From 17 March 2016	
0%	**Up to 150,000**
2%	**150,001 to 250,000**
5%	**Over 250,000**

Leasehold rent transactions (net present value of rent)

Residential	
Rate*	**£**
0%	**Up to 125,000**
1%	**Over 125,000**

Non-residential/mixed use	
Rate*	**£**
0%	**Up to £150,000**
1%	**150,001 to 5,000,000**
2%	**Over 5,000,000**

* Tax rate charged on part of purchase price within each band

** Tax rate applicable on whole purchase price

Annual Tax on Enveloped Dwellings ("ATED")

For properties within the ATED regime (i.e. mainly properties owned by companies and valued in April 2012 at over £500,000) the ATED period runs from 1 April to 31 March each year, and payment is due by 30 April following the beginning of each ATED period

The ATED is chargeable at a flat rate if a property falls into a specific band as follows:

	2016/17	2015/16
Residential property value	**Annual charge**	Annual charge
Up to £500,000	**£n/a**	£n/a
£500,001 - £1,000,000	**£3,500**	£n/a
£1,000,001 - £2,000,000	**£7,000**	£7,000
£2,000,001 - £5,000,000	**£23,350**	£23,350
£5,000,001 - £10,000,000	**£54,450**	£54,450
£10,000,001 - £20,000,000	**£109,050**	£109,050
Over £20,000,000	**£218,200**	£218,200

ATED-CGT applies on the disposal of a property that was within the ATED charging regime. The ATED-CGT at 28% is applied to the capital gain which relates to the period the property was subject to the ATED

Benefits in Kind ("BIK")

2016/17 (2015/16)

General rule
- Amount assessable is cost (including VAT) to employer

Exemptions
- Employee relocation expenses up to £8,000
- Incidental expenses of business trips per night up to £5 in the UK / £10 outside the UK
- Staff parties not exceeding £150 per employee p.a.
- One mobile phone per employee
- Benefit of occupying overseas holiday home owned by single purpose company
- Qualifying trivial BIK costing up to £50 from 6 April 2016

Loans
- Up to £10,000 (£10,000): no benefit
- Over £10,000 (£10,000): taxable on deemed interest at 'official rate' on whole amount
- Special rules apply for some foreign currency loans

Living accommodation
- Greater of rateable value or rent and, if after 22 April 2009, premium for lease of 10 years or less paid by employer
- For accommodation where cost to employer was over £75,000, rateable value plus 'official rate' on excess of cost to employer over £75,000

'Official rate'
- 3% from 6 April 2015

Private use of company car: scale benefits
- Benefit based on 7% (5%) to 37% of list price, dependent on CO_2 emissions
- List price includes certain accessories, reduced for capital contributions up to £5,000
- To 5 April 2021, supplement of 3% for most diesel cars, to a maximum charge of 37%
- Electric cars 7% charge
- Cars without approved CO_2 emissions are taxed according to engine size
- Special rules apply to LPG and dual fuel cars, cars over 15 years old at the end of the tax year and to the value of accessories

Car fuel benefit
The fuel benefit is a percentage of £22,200 (£22,100). The percentage is the same as used for the company car benefit*

Private use of company vans
Vans available for private use: van benefit charge ("VBC") £3,170 (£3,150)
Further charge of £598 (£594) for private use of fuel
Zero emission vans benefit charged at 20% of VBC

*The full table for the car fuel benefit can be viewed on our website: www.blickrothenberg.com/car-fuel

Tax free mileage rates

2016/17 and 2015/16

Employee's own car	Rate per mile
Annual business mileage up to 10,000 miles	45p
Each additional mile over 10,000 miles	25p
Each qualifying passenger	5p
Motorcycle	24p
Cycle	20p

Employee share incentives

2016/17 and 2015/16

Share Incentive Plan - up to £3,600 of free shares p.a. plus two matching shares for each partnership share bought by employee (maximum free and matching shares £7,200 p.a.). Open to all employees on similar terms. No tax or NI charges on grant or exercise if retained in plan for 5 years. Increase in value after withdrawal from plan charged to CGT

Enterprise Management Incentives ("EMI") - £250,000 of share options offered per employee. Currently the maximum is £3m per company. No tax or NI on grant or exercise unless granted at undervalue. Increase in value on disposal chargeable to CGT

Broadly, EMI shares acquired after 6 April 2012 may qualify for Entrepreneurs' Relief without the requirement for a 5% holding; the 12 month ownership period will commence on grant rather than exercise date

Other approved share incentive schemes - For Save As You Earn the monthly limit that employees can save and apply towards the purchase of shares is £500

Unapproved share option schemes - no limit, full discretion over qualifying employees. No tax or NIC on grant of options lasting 10 years or less. Income tax charge on value when exercised plus (in certain circumstances) NI charge on exercise of options

National Insurance Contributions ("NIC")

Class 1 primary employees	**2016/17** and 2015/16
Total weekly earnings - contracted in	
up to £155	**nil**
over £155 to £827***	**12%**
over £827*** on excess	**2%**

Class 1 secondary employers	
Total weekly earnings - contracted in	
up to £156	**nil**
over £156	**13.8%**

Contracted out rates and bands for employer and employee NICs differ

Class 1A employers only	13.8% on taxable benefits
Class 1B employers only	13.8% on amount in PAYE settlement agreement and income tax thereon
Class 2 flat rate for self employed	£2.80 p.w. if earning over £5,965 p.a.

Collected through self-assessment

Class 3 voluntary	£14.10 p.w.
Class 4 self employed	9% on profits over £8,060 to £43,000* and a further 2% on profits above £43,000*

Employment allowance - Eligible businesses and charities can claim a reduction of up to £3,000** of their employer contributions

NIC incentive - From 6 April 2015 Class 1 secondary NIC will not be due from employers with employees under the age of 25 who earn up to £827*** per week

* Up from £42,385 in 2015/16
** Up from £2,000 in 2015/16
*** Up from £815 in 2015/16

Changes from April 2017

Private client, property and employment

- Personal allowance increases to £11,500
- Basic rate band increases to £33,500
- Introduction of a £100,000 IHT family home allowance, increasing to £175,000 by April 2020
- Residential properties held in non-UK companies owned by a non-UK domiciliary brought within the scope of UK IHT
- ISA (cash and shares) combined annual limit increases to £20,000
- Lifetime ISA introduced for adults under 40 to save for their first home or retirement. Annual savings of up to £4,000 will receive a 25% bonus from the government
- Two new £1,000 micro-entrepreneurs' allowances for property and trading income
- Phasing in a restriction of tax relief for mortgage interest payments against rental profits to basic rate of tax (i.e. 20%)
- Withdrawal of non-UK domiciliary status for individuals resident for 15 of the past 20 tax years for all tax purposes

Corporate and business

- Reduction in Corporation Tax rate to 19% from 1 April 2017, reducing further to 17% from 1 April 2020
- Qualifying patent box tax rate reduces to 10% for accounting periods commencing on or after 1 April 2017

Changes from April 2018

Private client, property and employment

- Pension lifetime allowance to increase from £1m in line with inflation
- Class 2 NICs for self-employed abolished (Class 4 NICs will be reformed so self-employed continue to build entitlement to contributory benefits including State Pension)
- Termination payments over £30,000 which are subject to income tax will also be subject to employer NICs

Corporate and business

- Businesses keeping records digitally may adopt Pay-As-You-Go tax payments
- CO_2 emissions threshold for 100% FYA on low emission cars reduced to 50 g/km

For 2016/17 tax dates, please visit www.blickrothenberg.com/tax-calendar

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