

**TAX RATES
2017/18
POCKET GUIDE**



Harris & co

CLEVER ACCOUNTANTS FOR SMART BUSINESSES

Income tax allowances and rates, ISAs, tax reliefs, child benefit, pensions and key dates	1 - 7
National insurance contributions rates	7 - 9
Capital allowances, corporation tax and VAT	9 - 10
Car and van benefits, statutory payments, national minimum and living wage rates	10 - 13
Capital gains, inheritance and stamp taxes	14 - 16

Income tax allowances

- A personal allowance gives an individual an annual amount of income free from income tax.
- The personal allowance will be reduced if an individual's 'adjusted net income' is above £100,000. The allowance is reduced by £1 for every £2 of income above £100,000.
- A married individual born before 6 April 1935 may be entitled to a married couple's allowance. This is not deducted from income but reduces the tax bill.
- Marriage Allowance - 10% of the personal allowance may be transferable between spouses where neither pays tax above the basic rate. This Marriage Allowance is not available to couples entitled to the married couple's allowance.
- Reference to spouses includes registered civil partners.

Income tax personal allowances	2017/18	2016/17
	£	£
Personal Allowance	11,500	11,000
Marriage Allowance	1,150	1,100
Blind person's allowance	2,320	2,290
Married couple's allowance		
Maximum reduction in tax bill	844.50	835.50
Minimum reduction in tax bill	326.00	322.00
Reduce married couple's allowance by £1 for every £2 of 'adjusted net income' over limit	28,000	27,700

Income tax rates

- Income tax applies to the amount of income after deduction of personal allowances.
- Income is taxed in a specific order with savings and dividend income taxed last.
- There are three main bands – basic rate (BR), higher rate (HR) and additional rate (AR).
- There is also a starting rate band (SRB) which is only applicable to savings income. The rate is not available if the taxable amount of non-savings income exceeds the starting rate band.

Income tax rates (other than dividend income)

2017/18		2016/17	
Band £	Rate %	Band £	Rate %
0 - 5,000 (SRB)	0	0 - 5,000 (SRB)	0
0 - 33,500 (BR)	20	0 - 32,000 (BR)	20
33,501 - 150,000 (HR)	40	32,001 - 150,000 (HR)	40
Over 150,000 (AR)	45	Over 150,000 (AR)	45

Income tax rates - Scotland

- For 2016/17, Scottish taxpayers paid income tax at the same effective rates using the same bands that applied in the rest of the UK.
- For 2017/18, the Scottish Parliament has set the basic rate band for Scottish residents.

2017/18	
Band £	Rate%
0 - 5,000 (SRB)	0
0 - 31,500 (BR)	20
31,501 - 150,000 (HR)	40
Over 150,000 (AR)	45

Other allowances for specific types of income

Savings and Dividend Allowances are available.

- These allowances tax relevant income falling within the allowance at 0%. The income still forms part of total income of an individual.

Savings Allowance 2017/18 and 2016/17	£
BR taxpayer	1,000
HR taxpayer	500
AR taxpayer	0

Dividend Allowances and tax rates 2017/18 and 2016/17	Rate %
Dividend Allowance on first £5,000 of dividend income - available to all taxpayers	0
Dividends above Dividend Allowance which fall into:	
BR band	7.5
HR band	32.5
AR band	38.1

It was announced in Budget 2017 that the Dividend Allowance is to be reduced from £5,000 to £2,000 from April 2018.

Trade Allowance introduced from 2017/18	
Income up to £1,000	Profits assessable NIL
Income over £1,000	Election to deduct £1,000 allowance rather than the actual expenses

There will be an equivalent rule for certain miscellaneous income from providing assets or services which will apply to the extent that the £1,000 allowance is not used against trading income.

Property Allowance introduced from 2017/18	
Income up to £1,000	Profits assessable NIL
Income over £1,000	Election to deduct £1,000 allowance rather than the actual expenses

Trade and Property Allowances do not apply to 'rent a room' income.

Individual Savings Account (ISA)

ISA limits	2017/18	2016/17
The overall annual investment limit*	£20,000	£15,240
Lifetime ISA	£4,000	N/A
Help to Buy ISA monthly subscription limit (initial deposit limit £1,000)	£200	£200
Junior ISA	£4,128	£4,080

*Inclusive of any investment in Help to Buy and Lifetime ISAs.

Tax reliefs for individuals

The following schemes provide income tax relief and capital gains tax breaks for individuals prepared to invest in new and growing companies and social enterprises.

Enterprise Investment Scheme (EIS)

Maximum investment per annum	£1,000,000
Income tax relief	30%
Capital gains treatment on disposal if held for 3 years	Exempt

Capital gains from the disposal of other assets may be deferred by making an EIS investment.

Seed Enterprise Investment Scheme (SEIS)

Maximum investment per annum	£100,000
Income tax relief	50%
Capital gains treatment on disposal of SEIS investment held for 3 years	Exempt

An individual who makes a capital gain on another asset and uses the amount of the gain in making a SEIS investment will not pay capital gains tax on 50% of the gain subject to certain conditions.

Venture Capital Trusts (VCTs)

Maximum investment per annum	£200,000
Income tax relief	30%
Dividend income	Exempt
Capital gains treatment on disposal if held for 5 years	Exempt

VCTs operate by indirect investment into smaller high-risk unquoted trading companies.

Social Investment Tax Relief (SITR)

Maximum investment per annum	£1,000,000
Income tax relief	30%
Capital gains treatment on disposal if held for 3 years	Exempt

SITR is designed to encourage private individuals to invest in social enterprises including charities.

Capital gains from the disposal of other assets may be deferred by making a qualifying social investment.

All these tax reliefs for individuals are subject to detailed conditions being met.

Child Benefit

Child Benefit is receivable by a person responsible for each child under 16, or under 20 if they stay in education or training.

If the person (or their spouse or partner) has 'adjusted net income' above £50,000 the person with the highest income has to pay some of the Child Benefit as a tax charge.

If their adjusted net income is more than £60,000 a year, the tax charge equals the Child Benefit received.

Rates per week - 2017/18 and 2016/17

Eldest/Only Child	£20.70
Other Children	£13.70

State Pension

Weekly State Pension	2017/18	2016/17
Basic - single person	£122.30	£119.30
Basic - married couple	£195.60	£190.80
New state pension	£159.55	£155.65

Tax relief on pension contributions

- Tax relief available for personal contributions is the higher of £3,600 (gross) or 100% of relevant earnings.
- Any contributions in excess of £40,000, whether personal or by the employer, may be subject to income tax on the individual.
- The limit may be reduced to £4,000 once money purchase pensions are accessed (£10,000 up to 5 April 2017).
- Where the £40,000 limit is not fully used it may be possible to carry the unused amount forward for three years.
- The annual allowance is tapered for those with 'adjusted income' over £150,000 if they also have 'threshold income' over £110,000. Both 'adjusted income' and 'threshold income' for this purpose have specific detailed conditions. For every £2 of income over £150,000 an individual's annual allowance will be reduced by £1, down to a minimum of £10,000.
- Employers will obtain tax relief on employer contributions if they are paid and made 'wholly and exclusively' for the purposes of the business. The tax relief for large contributions may be spread over several years.

Self assessment - Key dates

31 January 2017 - First payment on account due for 2016/17 tax year.

31 July 2017 - Second payment on account for 2016/17 tax year.

5 October 2017 - Deadline for notifying HMRC of new sources of income (including the Child Benefit charge) if no tax return has been issued for 2016/17 tax year.

31 October 2017 - Deadline for submission of 2016/17 non-electronic returns.

30 December 2017 - Deadline for submission of 2016/17 electronic tax returns if 'coding out' of certain underpayments is required.

31 January 2018 - Deadline for filing electronic tax returns for 2016/17. Balancing payment due for 2016/17 tax year. First payment on account due for 2017/18 tax year.

National insurance contributions (NICs) - rates and allowances

- Employees start paying Class 1 NICs from age 16 (if sufficient earnings).
- Employers pay Class 1 NICs in accordance with the table below.
- Employer NICs for apprentices under the age of 25 and employees under the age of 21 are reduced from the normal rate of 13.8% to 0% on earnings up to the upper secondary threshold (UST).
- Employees' Class 1 NICs stop when they reach their State Pension age. The employer's contribution continues.

Employee Class 1 - Earnings per week			
2017/18	Rate %	2016/17	Rate %
Up to £157	Nil*	Up to £155	Nil
£157.01 - £866	12	£155.01 - £827	12
Over £866	2	Over £827	2

*Entitlement to State Pension and other contribution-based benefits is retained for earnings between £113 and £157 per week (£112 and £157 for 2016/17).

Employer Class 1 - Earnings per week			
2017/18	Rate %	2016/17	Rate %
£157	Nil	Up to £156	Nil
Over £157	13.8	Over £156	13.8
*UST up to £866	0	*UST up to £827	0

*The UST is applicable to under 21s and apprentices under 25.

Other NICs payable by employers

Class 1A - 13.8% on broadly all taxable benefits provided to employees

Class 1B - 13.8% on PAYE Settlement Agreements

Self-employed - Class 2 and 4

- A self-employed person starts paying Class 2 and Class 4 NICs from age 16 (if sufficient profits).
- Class 4 NICs stop from the start of the tax year after the one in which the person reaches State Pension age.
- Class 2 NICs will be abolished from April 2018.

Class 2	2017/18	2016/17
Flat rate per week	£2.85	£2.80
Small Profits Threshold*	£6,025 per year	£5,965 per year

*No Class 2 is due if the amount of trading profits assessable to income tax and Class 4 NICs is below this figure. However, a person might decide to carry on paying Class 2 voluntarily to accrue entitlement to the State Pension and other benefits.

Class 4			
2017/18	Rate %	2016/17	Rate %
Up to £8,164	Nil	Up to £8,060	Nil
£8,164.01 - £45,000	9	£8,060.01 - £43,000	9
Over £45,000	2	Over £43,000	2

Class 3

Generally a person needs 35 years (30 years if State Pension age is before 6 April 2016) of NICs to get a full State Pension.

Class 3 voluntary contributions can be paid to fill or avoid gaps in an individual's NICs record.

Class 3	2017/18	2016/17
Flat rate per week	£14.25	£14.10

Capital allowances

Plant and machinery - Annual Investment Allowance (AIA)

The AIA gives a 100% write-off on most types of plant and machinery costs, including integral features and long life assets but not cars, of up to £200,000 p.a. for expenditure incurred on or after 1 January 2016. The previous rate was £500,000 p.a. Special rules apply to accounting periods straddling this date.

Any costs over the AIA fall into the normal capital allowance pools below. The AIA may need to be shared between certain businesses under common ownership.

Other plant and machinery allowances

The annual rate of allowance is 18%. An 8% rate applies to expenditure incurred on integral features and on long life assets.

A 100% first year allowance may be available on certain energy efficient plant and cars.

Cars

For expenditure incurred on cars, costs are generally allocated to one of the two plant and machinery pools. Cars with CO₂ emissions not exceeding 130g/km receive an 18% allowance p.a. Cars with CO₂ emissions over 130g/km receive an 8% allowance p.a.

The government has announced that for expenditure incurred on cars on or after 1 April 2018 the emission limit will reduce to 110g/km to qualify for an 18% allowance.

Corporation tax rates

Corporation tax rates are set for each Financial Year. A Financial Year runs from 1 April to the following 31 March.

If the accounting period of a company straddles the 31 March, the profits are apportioned on a time basis to each Financial Year.

The Northern Ireland Executive has committed to setting the rate of corporation tax at 12.5% in April 2018 (subject to demonstrating its finances are on a sustainable footing).

	Year to 31.3.18	Year to 31.3.17
All profits	19%	20%

VAT

VAT - rates and limits	2017/18
Standard rate	20%
Reduced rate	5%
Annual Registration Limit - from 1.4.17 - 31.3.18 (1.4.16 - 31.3.17 £83,000)	£85,000
Annual Deregistration Limit - from 1.4.17 - 31.3.18 (1.4.16 - 31.3.17 £81,000)	£83,000

Car benefits

- The car benefit is calculated by multiplying the car's list price, when new, by a percentage linked to the car's CO₂ emissions.
- For diesel cars add a 3% supplement but the maximum is 37%.
- The list price includes accessories.
- The list price is reduced for capital contributions made by the employee up to £5,000.
- Special rules may apply to cars provided for disabled employees.
- For cars registered before 1 January 1998 and cars with no agreed CO₂ emissions the charge is based on engine size.

CO ₂ emissions (g/km)	Appropriate %		CO ₂ emissions (g/km)	Appropriate %	
	2017/18	2016/17		2017/18	2016/17
0 - 50	9	7	145 - 149	28	26
51 - 75	13	11	150 - 154	29	27
76 - 94	17	15	155 - 159	30	28
95 - 99	18	16	160 - 164	31	29
100 - 104	19	17	165 - 169	32	30
105 - 109	20	18	170 - 174	33	31
110 - 114	21	19	175 - 179	34	32
115 - 119	22	20	180 - 184	35	33
120 - 124	23	21	185 - 189	36	34
125 - 129	24	22	190 - 194	37	35
130 - 134	25	23	195 - 199	37	36
135 - 139	26	24	200 and above	37	37
140 - 144	27	25			

Car fuel benefit

- Car fuel benefit applies if an employee has the benefit of private fuel for a company car.
- The benefit is calculated by applying the percentage used to calculate the car benefit by a 'fuel charge multiplier'.
- The charge is proportionately reduced if provision of private fuel ceases part way through the year. The fuel benefit is reduced to nil only if the employee pays for all private fuel.

Car fuel benefit	2017/18	2016/17
Fuel charge multiplier	£22,600	£22,200

Van benefit

- Van benefit is chargeable if the van is available for an employee's private use.
- A fuel benefit may also be chargeable if an employee has the benefit of private fuel paid for in respect of a company van.
- The charges do not apply to vans if a 'restricted private use condition' is met throughout the year.
- A reduced benefit charge may apply to vans which cannot emit CO₂ when driven.

Van benefits	2017/18	2016/17
Van benefit	£3,230	£3,170
Fuel benefit	£610	£598

Mileage Allowance Payments (MAPs) for employees

- MAPs are what an employee can receive from their employer for using their own vehicle for business journeys.
- If the employee receives less than the statutory rate, tax relief can be claimed on the difference.

MAP rates per business mile 2017/18 and 2016/17

Cars and vans	Rate per mile
Up to 10,000 miles	45p
Over 10,000 miles	25p
Bicycles	20p
Motorcycles	24p

Statutory payments for employees

Employees need average weekly earnings of £113 (£112).

Type		2017/18	2016/17
Statutory Sick Pay		£89.35	£88.45
Statutory Maternity Pay	First 6 weeks	90% of weekly earnings	90% of weekly earnings
	Next 33 weeks	£140.98 ¹	£139.58 ¹
Statutory Paternity Pay	One or two complete weeks	£140.98 ¹	£139.58 ¹
Statutory Adoption Pay	First 6 weeks	90% of weekly earnings	90% of weekly earnings
	Next 33 weeks	£140.98 ¹	£139.58 ¹
Shared Parental Pay	Balance of unused SMP period	£140.98 ¹	£139.58 ¹

¹Or 90% of weekly earnings if lower.

National Minimum Wage and National Living Wage rates

Age	25+	21-24	18-20	16 & 17	Apprentices ¹
From 1.10.16	£7.20 ²	£6.95	£5.55	£4.00	£3.40
From 1.4.17	£7.50	£7.05	£5.60	£4.05	£3.50

¹ Rate applies to apprentices under 19, or 19 and over in the first year of apprenticeship.

² The National Living Wage (NLW) was introduced and applies from 1 April 2016 to employees aged 25 and over.

Capital gains tax (CGT)

- CGT is payable by individuals, trustees and personal representatives (PRs). Companies pay corporation tax on their capital gains.
- There are annual tax free allowances (the 'annual exempt amount') for individuals, trustees and PRs. Companies do not have an annual exempt amount.
- For individuals net gains are added to total taxable income to determine the appropriate rate of tax. The standard rate applies only to the net gains which, when added to total taxable income, do not exceed the basic rate band.
- Gains which qualify for Entrepreneurs' Relief or Investors' Relief are charged at 10% for the first £10m of qualifying gains.

CGT rates and annual exemption

Individuals	2017/18	2016/17
Exemption	£11,300	£11,100
Standard rate	10%**	10%**
Higher rate*	20%**	20%**

*For higher rate and additional rate taxpayers. ** Higher rates may apply to the disposal of certain residential property.

Trustees	2017/18	2016/17
Exemption	£5,650	£5,550
Rate	20%	20%

Inheritance tax (IHT)

- IHT may be payable when an individual's estate is worth more than the IHT nil rate band when they die.
- For 2017/18, a further nil rate band of £100,000 may be available in relation to current or former residences.
- The IHT threshold available on death may be increased for surviving spouses as there may have been a nil rate band not used, or not fully used, on the previous death.

- There are reliefs for some assets which reduce their value for IHT purposes.
- IHT may also be payable on gifts made in an individual's lifetime but within seven years of death. Any tax due is payable at death rates subject to a tapered reduction for transfers between 3 and 7 years before death.
- Some lifetime gifts are exempt.
- Transfers of assets into trust made in an individual's lifetime may be subject to an immediate charge but at lifetime rates.
- There are also charges on some trusts.

Death rate	Lifetime rate	Chargeable transfers 2017/18 and 2016/17
Nil	Nil	0 - £325,000
40%	20%	Over £325,000

Reliefs				
Annual exemption	£3,000	Marriage	- parent	£5,000
Small gifts	£250		- grandparent	£2,500
			- bride/groom	£2,500
			- other	£1,000

Stamp duty

- When you buy shares, you usually pay a tax or duty of 0.5% on the transaction.
- If you buy shares electronically Stamp Duty Reserve Tax (SDRT) is payable.
- For shares purchased using a stock transfer form, you will pay Stamp Duty if the transaction is over £1,000.

Stamp Duty Land Tax (SDLT)

SDLT is payable on land and property transactions in England, Wales and Northern Ireland. From April 2018 Land Transaction Tax (LTT) will replace SDLT in Wales.

Rate [†]	Residential	Non-residential	Rate
%	£	£	%
0	0 - 125,000	0 - 150,000	0
2	125,001 - 250,000	150,001 - 250,000	2
5	250,001 - 925,000	Over 250,000	5
10	925,001 - 1,500,000		
12	Over 1,500,000		

The rates apply to the portion of the total value which falls within each band.

[†]Rates may be increased by 3% where further residential properties costing £40,000 or over are acquired.

SDLT is charged at 15% on interests in residential dwellings costing more than £500,000 purchased by certain non-natural persons unless a specific relief applies.

Land and Buildings Transaction Tax (LBTT)

LBTT is payable on land and property transactions in Scotland.

Rate [†]	Residential	Non-residential	Rate
%	£	£	%
0	0 - 145,000	0 - 150,000	0
2	145,001 - 250,000	150,001 - 350,000	3
5	250,001 - 325,000	Over 350,000	4.5
10	325,001 - 750,000		
12	Over 750,000		

The rates apply to the portion of the total value which falls within each band.

[†]Rates may be increased by 3% where further residential properties costing £40,000 or over are acquired.

Disclaimer: Rates are for guidance only. No responsibility for loss occasioned by any person acting/refraining from action as a result of this information can be accepted by the authors or firm.

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