

## INCOME TAX

### Rates: individuals

	Taxable income £	Dividend income %	Other savings %	Other %
<b>2017/18</b>				
Starting rate band for savings	0-5,000	7.5	0	N/A
Basic rate band	0-33,500	7.5	20	20
Higher rate band	33,501-150,000	32.5	40	40
Additional rate band	Excess	38.1	45	45
<b>2016/17</b>				
Starting rate band for savings	0-5,000	7.5	0	N/A
Basic rate band	0-32,000	7.5	20	20
Higher rate band	32,001-150,000	32.5	40	40
Additional rate band	Excess	38.1	45	45

Dividends are deemed to be the top slice of income in computing the tax liability, followed by other savings income.

If the remittance basis of taxation is claimed, foreign dividend income is taxed at the rate applicable to other income.

The Scottish Parliament has power to vary the income tax rate for income other than savings or dividends. The rates above apply to the rest of the UK.

### Allowances: individuals

	2017/18 £	2016/17 %	2017/18 %	2016/17 %
Personal (note 1)	11,500	100	11,000	100
Married Couple's Allowance (note 2)	8,445	10	8,355	10
Marriage Allowance (note 3)	1,150	100	1,100	100
Blind Person's Allowance	2,320	100	2,290	100
Savings Allowance (note 4)	1,000	100	1,000	100
Dividends Allowance (note 5)	5,000	100	5,000	100

#### Notes:

- Personal allowances for those with taxable income in excess of £100,000 are reduced by £1 for every £2 of taxable income in excess of £100,000.
- The allowance is reduced by 50% of the excess of the total income above £28,000 (2016/17 - £27,700). The minimum Married Couple's Allowance after such reduction, if applicable, is £3,260 (2016/17 - £3,220). The Married Couple's Allowance is only available where either spouse was born before 6 April 1935.
- An individual may transfer up to this amount of their unused Personal Allowance to their spouse/civil partner provided that the recipient does not pay tax at the higher or additional rates.
- Savings income of up to £1,000 for basic rate tax payers and up to £500 for higher rate taxpayers is not subject to income tax.
- The first £5,000 of dividend income for all taxpayers is not subject to income tax. This tax free dividend allowance will be reduced from £5,000 to £2,000 from April 2018.

### Rates: UK trusts

	Dividend income %	Other savings %	Other %
Life interest trusts and estates in administration	7.5	20	20
Discretionary trusts, subject to a standard rate band of £1,000	38.1	45	45

## NATIONAL INSURANCE CONTRIBUTIONS

	2017/18 Weekly earnings £	Rate %	2016/17 Weekly earnings £	Rate %
<b>Employed (Class 1)</b>				
Primary contributions (employees)	0-157	Nil	0-155	Nil
	158-866	12.0	156-827	12.0
	Over 866	2.0	Over 827	2.0
Secondary contributions (employers)	Over 157	13.8	Over 156	13.8

An annual allowance of £3,000 (2016/17 - £3,000) is available to offset against an employer's Class 1 secondary liability with certain restrictions.

Employers pay 13.8% Class IA/IB contributions on the cost of benefits in kind.

### Self-employed

**Class 2** contributions are £2.85 (2016/17 - £2.80) per week unless annual profits do not exceed £6,025 (2016/17 - £5,965). From 6 April 2018, Class 2 contributions will be abolished.

**Class 4** contributions are 9% of annual profits between £8,164 and £45,000 (2016/17 - between £8,060 and £43,000), and 2% thereafter.

## INVESTMENTS AND SAVINGS

### Enterprise Investment Schemes and Venture Capital Trusts

Income tax relief and maximum qualifying investment per year	%	£
Seed Enterprise Investment Scheme ("SEIS")	50	100,000
Enterprise Investment Scheme ("EIS")	30	1,000,000
Venture Capital Trust ("VCT")	30	200,000

The minimum period of ownership necessary to avoid withdrawal of income tax relief is three years for EIS and SEIS investments, and five years for VCT investments.

#### Capital gains tax relief

Any gain on investment in an EIS or SEIS company on which income tax relief has been given will be exempt from capital gains tax on a subsequent disposal after three years, subject to certain conditions. All gains on the disposal of shares in VCTs are exempt, up to the maximum qualifying investment.

50% of capital gains reinvested into a subscription for shares that qualifies for SEIS income tax relief in the same or following tax year are exempt from capital gains tax. The relief is withdrawn in circumstances where the related SEIS income tax relief is withdrawn.

#### Capital gains tax deferral (EIS only)

Tax on capital gains can be deferred if the gains are reinvested into a subscription for qualifying (broadly, EIS) shares, without limit. Gains eligible to be reinvested are those realised within three years before and one year after the date of the subscription for the EIS shares. The deferred tax falls due when the related EIS shares are either disposed of or cease to be qualifying shares.

### Individual Savings Accounts (ISAs)

For 2017/18 the annual ISA subscription limit is £20,000 (2016/17 - £15,240). Subscription can be into any combination of cash or stocks and shares ISAs.

The account is free of all income tax and capital gains tax. Withdrawals may be made from the account at any time without loss of tax relief.

The Junior ISA limit is £4,128 (2016/17 - £4,080). Withdrawals cannot normally be made until the child is 18.

The Help To Buy ISA enables first time house buyers to save up to £200 each month together with an additional £1,000 in the first month. The funds must be used towards the purchase of their first home. The amounts saved receive a government bonus of 25% up to a maximum bonus of £3,000 per annum.

From 2017/18, an individual under the age of 40 may open a 'Lifetime ISA' with an annual savings limit of £4,000 and with a contribution from the government of an additional 25%. The funds may be drawn to purchase a first home or at any time after the age of 60.

During the 2017/18 tax year only, there is an opportunity to transfer funds built up in a Lifetime ISA to a Help to Buy ISA with the benefit of the government bonus, subject to certain restrictions.

## PENSIONS

#### Annual allowance

Tax relief is given on annual contributions to registered pension schemes, which are not in drawdown, up to the lower of 100% of earnings and £40,000. The annual allowance is tapered by £1 for every £2 of adjusted income in excess of £150,000 subject to a minimum of £10,000. If relief is not used in a year it may be carried forward for up to 3 years provided the individual was a member of a registered scheme in the year to which the unused relief relates.

A member of a registered pension scheme who has started to receive pension benefits is limited to tax relief on annual contributions of up to £4,000 from 6 April 2017 and has no ability to carry forward unused allowances from the previous three years.

#### Lifetime allowances

The lifetime allowance is £1 million and will increase from 2018 in line with inflation. Individual protection is available for individuals with pensions valued at over £1 million at 5 April 2016, and fixed protection will be available for those who wish to retain the £1.25 million lifetime allowance in exchange for ceasing to make further pension contributions.

## RESIDENT NON-UK DOMICILIARIES

Resident non-UK domiciliaries can claim the remittance basis such that their foreign income and gains are only subject to UK taxation to the extent that they are remitted to the UK.

No remittance basis charge is payable by resident non-UK domiciliaries who:

- have been resident in the UK for fewer than 7 out of the previous 9 tax years; or
- have unremitted foreign income and gains of less than £2,000; or
- are under the age of 18 for the whole tax year; or
- are dual resident and protected by a double taxation agreement.

Resident in the UK for	Annual remittance basis charge 2017/18 £	2016/17 £
at least 7 of the previous 9 tax years	30,000	30,000
at least 12 of the previous 14 tax years	60,000	60,000
at least 17 of the previous 20 tax years	N/A	90,000

In most cases, remittance basis users will not be entitled to the annual income tax allowances and capital gains tax annual exemption.

When the remittance basis is not claimed, resident non-UK domiciliaries will be subject to UK taxation on their worldwide income and gains (including deemed income and gains).

From 6 April 2017, resident non-UK domiciliaries will be deemed domiciled in the UK for income tax, capital gains tax and inheritance tax purposes where they have been resident in the UK for 15 or more of the previous 20 tax years.

## CAPITAL GAINS TAX

Gains	2017/18 %	2016/17 %
Individuals - gains within basic rate band (note 2)	10	10
Individuals - gains exceeding basic rate band (note 2)	20	20
UK Trusts and estates in administration	20	20
Self settlements and certain offshore trusts (note 3)	20	20
Non-resident persons (note 4)	28	28

#### Notes:

- The disposal of residential property, not qualifying for main residence relief, will attract a surcharge of 8%. This will also apply to carried interest.
- The remaining basic rate band is calculated as £33,500 (2016/17 - £32,000) less taxable income and any gains on which entrepreneurs' relief has been claimed.
- Capital payments from certain offshore trusts are chargeable at rates applicable to individuals plus a maximum supplementary charge of 60% of the tax.
- Non-resident individuals, trustees and companies are only subject to capital gains tax on the disposal of UK residential property at a rate of 28% including surcharge (subject to rebasing and certain reliefs)

### Annual Exemption

	2017/18 £	2016/17 £
Individuals	11,300	11,100
Trustees	5,650	5,550

The annual exemption available to trusts is normally divided equally between all those UK resident trusts made by the same settlor after 6 June 1978. The minimum exemption per trust is one tenth of the full annual exemption for individuals.

### Indexation Allowance

Companies receive Indexation Allowance on capital gains as a percentage of base cost, calculated with reference to increases in the Retail Price Index since 31 March 1982 or, if later, the date of acquisition.

### Entrepreneurs' Relief

Gains made by individuals and by trustees (where a life interest beneficiary has a qualifying interest in the business) on the disposal of the whole or part of a business, certain business assets or relevant shareholdings will qualify for this relief as follows:

- The asset must have been a qualifying asset for at least one year.
- Claims may be made on more than one occasion up to a lifetime limit of £10 million for disposals occurring on or after 6 April 2011.
- Taxable gains are charged at a rate of 10%.

### Investors' Relief

Gains made by individuals and by trustees (where a life interest beneficiary is an eligible beneficiary) on the disposal of shares in unlisted trading companies will qualify for this relief as follows:

- Newly issued shares must be subscribed to after 17 March 2016 and held for at least 3 years from 6 April 2016
- Claims may be made on more than one occasion up to a lifetime limit of £10million
- Taxable gains are charged at a rate of 10%

## INHERITANCE TAX

### Rates

Gross cumulative chargeable transfers £0-£325,000 Excess	Transfers on death %	Lifetime transfers %
	Nil	Nil
	40	20

From 6 April 2017 an additional residence nil-rate band will be available when a person's home passes on death to a direct descendant. This will be £100,000 for 2017/18, increasing to £175,000 in 2020/21. The residence nil-rate band will be withdrawn by £1 for every £2 that the net value of the estate exceeds £2 million.

Subject to certain provisions, any unused proportion of the nil-rate band is carried forward to the second death for married couples and civil partners.

A reduced rate of 36% applies to taxable estates where 10% or more of the estate is left to charity.

#### Potentially exempt transfers

Inheritance tax does not generally arise on lifetime transfers between individuals provided that the donor survives the gift by at least 7 years.

#### Reduced tax charge on gifts within seven years of death:

Years before death	0-3	3-4	4-5	5-6	6-7
% of full tax charge at death	100	80	60	40	20

Credit is given for tax paid on lifetime transfers within seven years of death. If the value of the lifetime transfer falls within the nil rate band, the above relief may have no effect.

#### Trusts

Transfers to trusts (other than charitable trusts, trusts for people who are disabled and trusts established on death) are taxed as lifetime transfers.

Discretionary trusts and most trusts created on or after 22 March 2006 are subject to an IHT charge of up to 6% every 10 years, and exit charges.

### Exemptions and reliefs

	£
Normal expenditure out of income	Exempt
Annual exemption	3,000
Small gifts to same person – per year	250
Spouses and civil partners both with UK domicile	Exempt
Spouses and civil partners where donee is not UK domiciled	325,000
Marriage gifts made by:	
– parent	5,000
– grandparent	2,500
– other person	1,000
Gifts to charities and qualifying political parties	Exempt
Transfers of qualifying heritage assets (subject to various undertakings)	Exempt

#### Agricultural property relief

Transfers with vacant possession (or right to obtain within 12 months)	100
Land let under a tenancy for more than 12 months made on or after 1 September 1995	100
Most other cases	50

#### Business property relief (subject to exclusions)

Unincorporated businesses	100
Unquoted shares	100
Quoted shares (controlling holding)	50
Land, buildings, machinery or plant used by qualifying businesses	50

### Tax payments on chargeable lifetime transfers

Inheritance tax on chargeable lifetime transfers and transfers becoming chargeable on death is due 6 months after the end of the month of transfer or death.

### Pre-owned assets

A charge to income tax may arise on benefits received by individuals having free or low cost enjoyment of assets they formerly owned or funded, subject to some exemptions, including a de minimis of £5,000 a year of the taxable value of the benefit.

For land and buildings the taxable benefit is the open market rent. For chattels and intangible property, the taxable benefit is determined by applying the official rate of interest to the capital value of the asset. Most assets are to be revalued every 5 years.

**CORPORATION TAX**

Rates	Year from 1 April	
	2017	2016
Main rate	19%	20%

The main rate will fall to 17% from 1 April 2020.

**Tax payments**

Quarterly payments on account – for large companies (including members of large groups)	Period from start of accounting period
First	6 months and 14 days
Second	9 months and 14 days
Third	12 months and 14 days
Fourth	15 months and 14 days

Small and medium companies	Period from end of accounting period
Due date	9 months and 1 day

Growing companies do not have to pay by instalments in the period in which they become large if their profits are less than £10 million.

**Tax returns**

The filing date is twelve months after the end of the accounting period. Special rules apply for periods of account of longer than twelve months.

**CAPITAL ALLOWANCES**

**First year / Initial allowances**

The following expenditure is eligible for 100% writing down allowance in the first year:

- Annual Investment Allowance (“AIA”) (note 1)
- Designated energy saving plant and machinery (note 2)
- Designated water efficient equipment (note 2)
- New low emission cars (emissions below 75g/km)
- Equipment for re-fuelling vehicles with natural gas, biogas or hydrogen fuel
- Plant and machinery for electric vehicle charging points
- Research and development
- Renovation of vacant business properties in disadvantaged areas

Annual writing down allowances (“WDA”)	% of reducing balance
Special rate pool	8

- Long life assets (life of at least 25 years)
- Integral features of a building
- Cars (emissions of 130g/km and above)
- Thermal insulation
- Solar panels

Main rate pool	18
----------------	----

- Other plant and machinery
- Cars (emissions below 130g/km)

Patents and know-how	25
----------------------	----

**Notes:**

- (1) The AIA is £200,000.
- (2) Loss making companies investing in energy saving plant and machinery or water efficient equipment can surrender losses from such expenditure for a cash payment of 19% of the expenditure, subject to a cap of the higher of £250,000 and the company’s PAYE/NIC liability.

**CAR & FUEL BENEFITS**

**Company car benefits**

The benefit is calculated using a percentage of the list price when new. This percentage is determined as follows:

CO <sub>2</sub> emissions (g/km)	2017/18	2016/17
0 - 50	9%	7%
51 - 75	13%	11%
76 - 94	17%	15%
95 - 99	18%	16%
100 and above	Increased by 1% for each 5g/km over 95g/km	

**Notes:**

- 1 The maximum percentage is 37% (2016/17 - 37%).
- 2 For diesel cars, the percentage is increased by 3%, still subject to the above maximum.
- 3 Different rules apply for vehicles which meet the definition of a company van.

**Fuel benefit scale rates**

The benefit is calculated by applying the percentage as determined for car benefits to the fixed amount of £22,600 (2016/17 - £22,200). The fuel benefit scale charge is reduced to nil if the employee is required to, and does, make good the cost of all fuel provided for private use.

**Authorised annual mileage rates**

Tax free mileage allowances are 45p per mile on the first 10,000 miles, and 25p thereafter. For National Insurance purposes the mileage allowance is 45p per mile irrespective of annual mileage.

**VALUE ADDED TAX**

Rates	%
Standard	20
Reduced	5

**Thresholds**

	From 1 April 2017	1 April 2016
Registration threshold (for supplies in previous 12 months or next 30 days)*	85,000	83,000
Deregistration threshold*	83,000	81,000
Cash accounting scheme	1,350,000	1,350,000
Annual accounting scheme	1,350,000	1,350,000
Flat rate scheme	150,000	150,000

De minimis limits for partial exemption (provided exempt input tax is less than 50% of total input tax)

Partially exempt businesses with residual input tax are required to apply an annual adjustment.	625 pcm	625 pcm
---	---------	---------

\* Not available to non-established taxable persons.

**STAMP DUTY & STAMP DUTY RESERVE TAX**

Shares and marketable securities - standard rate	0.5%
- higher rate	1.5%

Transfers of shares or marketable securities traded on recognised growth markets are not subject to stamp taxes. Stamp duty reserve tax does not apply to transfers of holdings in unit trusts or open ended investment companies, except for non pro-rata redemptions in specie.

**STAMP DUTY LAND TAX**

Stamp Duty Land Tax does not apply in Scotland, which operates a separate Land and Building Transaction Tax.

**Residential property**

Consideration (incl VAT where applicable)	Within each band
£0 – £125,000	Nil
£125,001 – £250,000	2%
£250,001 – £925,000	5%
£925,001 – £1,500,000	10%
More than £1,500,000	12%

The rate of SDLT is increased by 3% for purchases of residential property where the purchaser already owns at least one residential property, or for all purchases by companies and most trusts.

A charge of 15% applies to purchases of residential property by ‘non-natural persons’ (predominantly companies) for consideration in excess of £500,000 subject to certain exclusions.

**Non-residential property**

Consideration (incl VAT where applicable)	Within each band
£0 – £150,000	Nil
£150,001 – £250,000	2%
More than £250,000	5%

**Lease rentals (residential and non-residential)**

Net present value of lease payments	Within each band
£0 – £125,000*	Nil
£125,001* – £5,000,000	1%
More than £5,000,000**	2%

\* Nil band is £150,000 for non-residential property

\*\* Applies only to non-residential property, otherwise the rate is 1%.

**Returns and payments**

Stamp duty returns must be filed within 30 days of the effective date of the transaction which is also the due date for payment of any tax.

**ANNUAL TAX ON ENVELOPED DWELLINGS**

Property Value	Annual tax	
	2017/18	2016/17
£500,000 - £1 million	£ 3,500	£ 3,500
£1 million - £2 million	7,050	7,000
£2 million - £5 million	23,350	23,350
£5 million - £10 million	54,950	54,450
£10 million - £20 million	110,100	109,050
Over £20 million	220,350	218,200

The tax for the 2017/18 year is payable by a company or other corporate body owning a high value residential property on 1 April 2017. The return and payment are due by 30 April 2017.

**TAX DATES: RETURNS & PAYMENTS**

Personal and trust tax returns	2017/18	2016/17
2017/18 paper return		By 31 October 2018
2017/18 online return		By 31 January 2019
<b>Tax payments</b>		
First interim income tax payment	31 January 2018	31 January 2017
Second interim income tax payment	31 July 2018	31 July 2017
Final balancing income tax payment	31 January 2019	31 January 2018
Capital gains tax payment	31 January 2019	31 January 2018

Professional advice should be sought before taking any action based on this Budget summary.