

Guide from

DS Small Business Help Ltd

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Taking you and your business into account

	2016/17	2017/18
	£	£
Income tax rates - (non-dividend income)		
0% - starting rate for savings only note 1	Up to 5,000	Up to 5,000
20% basic rate tax	11,001 - 43,000	11,501 – 45,000
40% higher rate tax	43,001 - 150,000	45,001 to 150,000
45% additional rate tax	Above 150,000	Above 150,000
<i>1 If an individual's taxable non-savings income exceeds the starting rate limit, then the starting rate for savings will not be available for savings income</i>		
Scottish rates of income tax note 2		
0% - starting rate for savings only note 1	Up to 5,000	Up to 5,000
20% basic rate tax	11,001 - 43,000	11,501 - 43,000
40% higher rate tax	43,001 - 150,000	43,001 -150,000
45% additional rate tax	Above £150,000	Above £150,000
<i>You pay the Scottish rate if you live in Scotland.</i>		
<i>1 If an individual's taxable non-savings income exceeds the starting rate limit, then the starting rate for savings will not be available for savings income.</i>		
<i>2 The Scottish Parliament has voted to freeze the basic rate of income tax of 20 per cent, also freeze the higher and additional rates at 40 per cent and 45 per cent respectively, and maintain the higher rate of income tax threshold at £43,000 in 2017/18, as set out in the table above.</i>		
Income tax rates – (dividend income new rules from 6/4/2016)		
Up to £ 5000 note 1 and 2	0%	0%
£ 5000 - £ 32,000	7.5%	7.5%
£32,001 – £150,000	32.5%	32.5%
Above £ 150,000	38.1%	38.1%
<i>1 From April 2016 the dividend tax credit is abolished and replaced with a new £5,000 tax-free Dividend Allowance</i>		
<i>2 From April 2018 the allowance will be reduced to £ 2,000</i>		
Child benefit/Guardian's allowance rates		
Higher rate (eldest child only) (per week)	20.70	20.70
Other children	13.70	13.70
Guardian's allowance	16.55	16.70
<i>1 An income tax charge will apply to taxpayers with income exceeding £50,000 in a tax year, when child benefit is also received by them or their partner. The charge will reduce the financial benefit of receiving child benefit for those with income between £50,000 and £60,000 and remove it completely for taxpayers with income above £60,000.</i>		

Personal allowances		
Personal allowance – note 2	11,000	11,500
Dividend allowance – note 5	5,000	5,000
Maximum Married couple's allowance for those born before 6 April 1935 – note 3	8,355	8,445
Married couple's allowance – minimum amount – note 3	3,220	3,260
Micro entrepreneurs allowance:		
Individuals making property or trading incomes below the level of the allowance would no longer need to declare or pay tax, while those who exceeded the level from their can benefit by simply deducting the allowance instead of calculating their exact expenses. For more information see ACCAs article .	n/a	Allowance- 1,000
Income limit – note 1	100,000	100,000
Income limit for Married couple's allowance- born before 6 April 1935 note 3	27,700	28,000
Blind person's allowance	2,290	2,320
Rent-a-room relief – note 6	7,500	7,500
Transferable tax allowance for married couples and civil partners	1,100	1,150
Personal savings allowance for basic rate tax payers – note 4	1,000	1,000
Personal savings allowance for higher rate tax payers – note 4	500	500
<p>1 This allowance is subject to the £100,000 income limit which applies regardless of the individual's date of birth. The individual's personal allowance is reduced where their income is above this limit. The allowance is reduced by £1 for every £2 above the limit</p> <p>2 From 2016-17 onwards, all individuals will be entitled to the same personal allowance, regardless of the individuals' date of birth. This allowance is subject to the £100,000 income limit which applies regardless of the individual's date of birth</p> <p>3 This allowance is subject to the £27,700 income limit. The individual's married couple's allowance is reduced by £1 for every £2 above the limit. That reduction only applies after any reduction to their personal allowance The individual's married couple's allowance is never reduced below the minimum amount. The relief for this allowance is given at 10%. These amounts are subject to indexation – the annual increase in CPI – and have been frozen for 2016-17 at 2015-16 levels in order to prevent any cash loss to individuals as a result of negative growth in CP</p> <p>4 Basic rate tax will no longer be deducted from personal savings interest.</p> <p>5 From April 2018 the allowance will be reduced to £ 2,000</p> <p>6 The government will consult on proposals to redesign rent-a-room relief, to ensure it is better targeted to support longer-term lettings.</p>		

National insurance		
Lower earnings limit, primary Class 1 (per week)	112	113
Upper earnings limit, primary Class 1 (per week)	827	866
Apprentice upper secondary threshold (AUST) for under 21s/ 25s	827	866
Primary threshold (per week)	155	157
Secondary threshold (per week)	156	157
Employment allowance (per year per employer)	3,000	3,000
Employee's primary Class 1 rate between primary threshold and upper earnings limit	12%	12%
Employee's primary Class 1 rate above upper earnings limit	2%	2%
Married woman's reduced rate between primary threshold and upper earnings limit	5.85%	5.85%
Married woman's rate above upper earnings limit	2.00%	2.00%
Employer's secondary Class 1 rate above secondary	13.80%	13.80%

threshold			
Class 2 rate (per week where profits are above small profits threshold) – note 2	2.80	2.85	
Class 2 small profits threshold (per year) – note 2	5,965	6,025	
Special Class 2 rate for share fishermen (per week)	3.45	3.50	
Special Class 2 rate for volunteer development workers	5.60	5.65	
Class 3 rate (per week)	14.10	14.25	
Class 4 lower profits limit	8,060	8,164	
Class 4 upper profits limit	43,000	45,000	
Class 4 rate between lower profits limit and upper profits limit – note 1	9.00%	9.00%	
Class 4 rate above upper profits limit	2.00%	2.00%	
<p>1 From April 2018 the rate of NIC for self-employed will increase to 10% and from 10% to 11% with effect from 6 April 2019.</p> <p>2 From April 2018 class 2 NIC will be abolished</p>			
Pensions			
Annual allowance note 1	40,000	40,000	
Lifetime allowance	1,000,000	1,000,000	
Money purchase annual allowance – note 2	10,000	4,000	
<p>1 The Finance Bill 2015 provided that from tax year 2016/17 the annual allowance for those earning above £150,000 is to be reduced on a tapering basis so that it reduces to £10,000 for those earning above £210,000. For every £2 of income above £150,000, an individual's annual allowance will reduce by £1.</p> <p>2 This means that once a person has accessed pension savings flexibly, if they wish to make any further contributions to a defined contribution pension, tax-relieved contributions are restricted to a special money purchase annual allowance (MPAA).</p>			
Relief's and incentives			
Enterprise Investment Scheme (EIS) - maximum	1,000,000	1,000,000	
Venture Capital Trust (VCT) - maximum	200,000	200,000	
Enterprise Management Incentive Scheme (EMI) - employee limit	250,000	250,000	
Seed Enterprise Investment Scheme (SEIS) - maximum	100,000	100,000	
Income tax relief on EIS schemes	30%	30%	
Income tax relief on VCT schemes	30%	30%	
Income tax relief on SEIS schemes	50%	50%	
Individual Savings Account (ISA):			
ISA (NISA) annual limit	15,240	20,000	
Junior ISA investment annual limit	4,080	4,128	
Child value of Child Trust Fund annual limit	4,080	4,128	
LISA- annual limit (for ages between 18 to 40) – note 1	n/a	4,000	
<p>1 There is a new lifetime ISA (LISA) available from April 2017, to use towards a deposit on a first home. The government will add 25% bonus to the fund as part of a help to buy scheme. Please follow this link for more details.</p>			
Capital gains tax			
Rate	- basic rate tax payer	10%	10%
	- higher rate tax payer	20%	20%
Gain on sale of residential property	- basic rate tax payer	18%	18%
	- higher rate tax payer	28%	28%
Annual exemptions – individuals (per year)		11,100	11,300
Certain trusts for disabled persons (per year)		11,100	11,300
Other trusts (per year)		5,550	5,650
Entrepreneurs Relief lifetime limit		10,000,000	10,000,000

Entrepreneurs Rate		10%	10%
Chattels exemption		6,000	6,000
Inheritance tax			
Single persons nil rate band		1 - 325,000	1 - 325,000
Single persons 40% band		over 325,000	over 325,000
Residence nil rate band (RNRB) – maximum -note 2		n/a	100,000
Reduced rate note 1		36%	36%
IHT Rate (for chargeable lifetime transfers)		20%	20%
Married couples or civil partnerships allowance nil rate band		650,000	650,000
Gifts to charities		Exempt	Exempt
Small gifts to same person		250	250
General gifts- annual exemption		3,000	3,000
Wedding gifts:			
From:	Parent	5,000	5,000
	Grandparent/party	2,500	2,500
	Other person	1,000	1,000
Business Property Relief			
Business or interest in a business and transfer if unquoted shareholdings		100%	100%
<p>1 The estate can pay Inheritance Tax at a reduced rate of 36% on some assets if you leave 10% or more of the ‘net value’ to charity in your will.</p> <p>2 The RNRB applies in addition to the existing nil rate band (NRB) or threshold (currently £325,000) if the individual and estate meet the qualifying conditions. For full guidance is available here.</p>			
Taxation of trusts			
Accumulation or discretionary trusts:			
Trust income up to £1,000 – dividend type income- note 1		7.5%	7.5%
Trust income up to £1,000 – all other income		20%	20%
Trust income over £1,000 – dividend type income		38.1%	38.1%
Trust income over £1,000 – all other income		45%	45%
Interest in possession trusts:			
Dividend type income		7.5%	7.5%
All other income		20%	20%
Corporation tax			
All profits and gains (excluding determination agreements and diverted profits)		20%	19%
S455 tax on all loans made by close companies to participator		32.5%	32.5%
Capital Allowances			
Main writing down allowance (reducing balance)		18%	18%
Special rate writing down allowance (reducing balance)		8%	8%
Motor Cars- if CO2 > 75g/km but do not exceed 130g/km		18%	18%
Motor Cars- if CO2 > 130g/km		8%	8%
Small pool write off where WDV is £1,000 or less		100%	100%
CO2 emissions are 75g/km or less (or car is electric)		100%	100%
First year allowances for certain energy-saving/water efficient products		100%	100%
Annual investment allowance		100%	100%
1 AIA level set permanently from 1 January 2016 at £200,000 pa			
2 CO2 emissions thresholds will be reduced to 50g/km for the FYA threshold and 110g/km for expenditure on business cars after 1 April 2018.			
Research and Development Tax Credit Rates			
SME Rate		230%	230%
Research and development expenditure credit (RDEC) scheme		11%	11%

Patent Box		
Patent box	10%	10%
<i>The Patent box regime was phased in from April 2013 with companies able to claim the benefit of 60% for 2013/14, 70% for 2014/15, 80% for 2015/16, 90% for 2016/17 and 100% from 2017/18 onwards</i>		
VAT		
Standard rate	20%	20%
Reduced rate	5%	5%
Zero rate	0%	0%
Normal scheme registration threshold	83,000	85,000
Deregistration threshold	81,000	83,000
Cash accounting scheme -maximum to join	1,350,000	1,350,000
Cash accounting scheme - exit threshold	1,600,000	1,600,000
Annual accounting scheme – maximum to join	1,350,000	1,350,000
Annual accounting scheme – exit threshold	1,600,000	1,600,000
Flat rate scheme – maximum allowed to join	150,000	150,000
Flat rate scheme exit threshold	230,000	230,000
Annual Tax on Enveloped Dwellings (ATED)		
More than £0.5m but not more than £1m	3,500	3,500
More than £1m but not more than £2m	7,000	7,050
More than £2m but not more than £5m	23,350	23,550
More than £5m but not more than £10m	54,450	54,950
More than £10m but not more than £20m	109,050	110,100
More than £20m	218,200	220,350

ACCA LEGAL NOTICE

This is a basic guide prepared by ACCA UK's Technical Advisory Service for members and their clients. It should not be used as a definitive guide, since individual circumstances may vary. Specific advice should be obtained, where necessary.