

Guide from



Magenta Accounts

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| | 2016/17 | 2017/18 | 2018/19 |
|---|---------------------|----------------------|---------------------|
| | £ | £ | £ |
| Income tax rates - (non-dividend income) | | | |
| 0% - starting rate for savings only note 1 | Up to 5,000 | Up to 5,000 | Up to £5,000 |
| 20% basic rate tax | 11,001 - 43,000 | 11,501 – 45,000 | 11,851 – 46,350 |
| 40% higher rate tax | 43,001 - 150,000 | 45,001 to 150,000 | 46,351 – 150,000 |
| 45% additional rate tax | Above 150,000 | 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> | | | |
| Income tax rates – (dividend income new rules from 6/4/2016) | | | |
| Dividend allowance | £5,000 | £5,000 | £2,000 |
| Dividend ordinary rate (for dividends within basic rate band) | 7.50% | 7.50% | 7.50% |
| Dividend upper rate (for dividends within higher rate band) | 32.50% | 32.50% | 32.50% |
| Dividend additional rate (for dividends above higher rate band) | 38.10% | 38.10% | 38.10% |

| Child benefit/Guardian's allowance rates | | | |
|--|---------|-----------------|-----------------|
| Higher rate (eldest child only) (per week) | 20.7 | 20.7 | 20.7 |
| Other children | 13.7 | 13.7 | 13.7 |
| Guardian's allowance | 16.55 | 16.7 | 17.2 |
| <i>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 | 11,850 |
| Dividend allowance | 5,000 | 5,000 | 2,000 |
| Maximum Married couple's allowance for those born before 6 April 1935 – note 3 | 8,355 | 8,445 | 8,695 |
| Married couple's allowance – minimum amount – note 3 | 3,220 | 3,260 | 3,360 |
| 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. | n/a | Allowance-1,000 | Allowance-1,000 |
| Income limit – note 1 | 100,000 | 100,000 | 100,000 |
| Income limit for Married couple's allowance-born before 6 April 1935 | 27,700 | 28,000 | 28,900 |
| Blind person's allowance | 2,290 | 2,320 | 2,390 |
| Rent-a-room relief | 7,500 | 7,500 | 7,500 |
| Transferable tax allowance for married couples and civil partners – note 4 | 1,100 | 1,150 | 1,185 |
| Personal savings allowance for basic rate tax payers – note 5 | 1,000 | 1,000 | 1,000 |
| Personal savings allowance for higher rate tax payers – note 5 | 500 | 500 | 500 |
| <i>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</i> | | | |

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.

3. The individual's married couple's allowance is reduced by £1 for every £2 above this limit.

4 This transferable allowance is available to married couples and civil partners who are not in receipt of married couple's allowance. A spouse or civil partner who is not liable to income tax; or not liable at the higher or additional rates, can transfer this amount of their unused personal allowance to their spouse or civil partner. The recipient must not be liable to income tax at the higher or additional rates.

The government will now allow claims in case where a partner has died before the claim was made. These claims will be able to be backdated up to 4 years.

5 Basic rate tax will no longer be deducted from personal savings interest.

| National insurance | | | |
|--|--------|--------|--------|
| Lower earnings limit, primary Class 1 (per week) | 112 | 113 | 116 |
| Upper earnings limit, primary Class 1 (per week) | 827 | 866 | 892 |
| Apprentice upper secondary threshold (AUST) for under 21s/ 25s | 827 | 866 | 892 |
| Primary threshold (per week) | 155 | 157 | 162 |
| Secondary threshold (per week) | 156 | 157 | 162 |
| Employment allowance (per year per employer) | 3,000 | 3,000 | 3,000 |
| Employee's primary Class 1 rate between primary threshold and upper earnings limit | 12% | 12% | 12% |
| Employee's primary Class 1 rate above upper earnings limit | 2% | 2% | 2% |
| Married woman's reduced rate between primary threshold and upper earnings limit | 5.85% | 5.85% | 5.85% |
| Married woman's rate above upper earnings limit | 2.00% | 2.00% | 2.00% |
| Employer's secondary Class 1 rate above secondary threshold | 13.80% | 13.80% | 13.80% |
| Class 2 rate (per week where profits are above small profits threshold) | 2.80 | 2.85 | 2.95 |
| Class 2 small profits threshold (per year) | 5,965 | 6,025 | 6,205 |
| Special Class 2 rate for share fishermen (per week) | 3.45 | 3.5 | 3.6 |

| | | | |
|--|-----------|-----------|-----------|
| Special Class 2 rate for volunteer development workers | 5.6 | 5.65 | 5.80 |
| Class 3 rate (per week) | 14.1 | 14.25 | 14.65 |
| Class 4 lower profits limit | 8,060 | 8,164 | 8,424 |
| Class 4 upper profits limit | 43,000 | 45,000 | 46,350 |
| Class 4 rate between lower profits limit and upper profits limit | 9.00% | 9.00% | 9.00% |
| Class 4 rate above upper profits limit | 2.00% | 2.00% | 2.00% |
| The government had previously announced its intention to abolish “class 2” national insurance contributions (NICs) for the self-employed in April 2018, but has now said it will delay the move for a year. | | | |
| Pensions | | | |
| Annual allowance note 1 | 40,000 | 40,000 | 40,000 |
| Lifetime allowance | 1,000,000 | 1,000,000 | 1,030,000 |
| Money purchase annual allowance – note 2 | 10,000 | 4,000 | 4,000 |
| <i>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.</i> | | | |
| <i>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).</i> | | | |
| Relief’s and incentives | | | |
| Enterprise Investment Scheme (EIS) - maximum | 1,000,000 | 1,000,000 | 2,000,000 |
| Venture Capital Trust (VCT) - maximum | 200,000 | 200,000 | 200,000 |
| Enterprise Management Incentive Scheme (EMI) - employee limit | 250,000 | 250,000 | 250,000 |
| Seed Enterprise Investment Scheme (SEIS) - maximum | 100,000 | 100,000 | 100,000 |
| Income tax relief on EIS schemes | 30% | 30% | 30% |
| Income tax relief on VCT schemes | 30% | 30% | 30% |

| | | | |
|---|--------------|--------------|--------------|
| Income tax relief on SEIS schemes | 50% | 50% | 50% |
| Individual Savings Account (ISA): | | | |
| ISA (NISA) annual limit | 15,240 | 20,000 | 20,000 |
| Junior ISA investment annual limit | 4,080 | 4,128 | 4,260 |
| Child value of Child Trust Fund annual limit | 4,080 | 4,128 | 4,260 |
| LISA- annual limit (for ages between 18 to 40) | n/a | 4,000 | 4,000 |
| Capital gains tax | | | |
| Rate | | | |
| - basic rate tax payer | 10% | 10% | 10% |
| - higher rate tax payer | 20% | 20% | 20% |
| Gain on sale of residential property | | | |
| - basic rate tax payer | 18% | 18% | 18% |
| - higher rate tax payer | 28% | 28% | 28% |
| Annual exemptions – individuals (per year) | 11,100 | 11,300 | 11,700 |
| Certain trusts for disabled persons (per year) | 11,100 | 11,300 | 11,700 |
| Other trusts (per year) | 5,550 | 5,650 | 5,850 |
| Entrepreneurs Relief lifetime limit | 10,000,000 | 10,000,000 | 10,000,000 |
| Entrepreneurs Rate | 10% | 10% | 10% |
| Chattels exemption | 6,000 | 6,000 | 6,000 |
| Inheritance tax | | | |
| Single persons nil rate band | 1 - 325,000 | 1 - 325,000 | 1 - 325,000 |
| Single persons 40% band | over 325,000 | over 325,000 | over 325,000 |
| Residence nil rate band (RNRB) – maximum - note 2 | n/a | 100,000 | 125,000 |
| Reduced rate note 1 | 36% | 36% | 36% |
| IHT Rate (for chargeable lifetime transfers) | 20% | 20% | 20% |
| Married couples or civil partnerships allowance nil rate band | 650,000 | 650,000 | 650,000 |

| | | | |
|---|--------|--------|--------|
| Gifts to charities | Exempt | Exempt | Exempt |
| Small gifts to same person | 250 | 250 | 250 |
| General gifts- annual exemption | 3,000 | 3,000 | 3,000 |
| Wedding gifts from: | | | |
| Parent | 5,000 | 5,000 | 5,000 |
| Grandparent/party | 2,500 | 2,500 | 2,500 |
| Other person | 1,000 | 1,000 | 1,000 |
| Business Property Relief | | | |
| Business or interest in a business and transfer if unquoted shareholdings | 100% | 100% | 100% |
| 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. | | | |
| 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. | | | |
| Taxation of trusts | | | |
| Accumulation or discretionary trusts: | | | |
| Trust income up to £1,000 – dividend type income- note 1 | 7.50% | 7.50% | 7.50% |
| Trust income up to £1,000 – all other income | 20% | 20% | 20% |
| Trust income over £1,000 – dividend type income | 38.10% | 38.10% | 38.10% |
| Trust income over £1,000 – all other income | 45% | 45% | 45% |
| Interest in possession trusts: | | | |
| Dividend type income | 7.50% | 7.50% | 7.50% |
| All other income | 20% | 20% | 20% |
| | | | |
| Corporation tax | | | |
| All profits and gains (excluding determination agreements and diverted profits) | 20% | 19% | 19% |
| S455 tax on all loans made by close companies to participator | 32.50% | 32.50% | 32.50% |

| Capital Allowances | | | |
|---|--------|--------|--------|
| Main writing down allowance (reducing balance) | 18% | 18% | 18% |
| Special rate writing down allowance (reducing balance) | 8% | 8% | 8% |
| Motor Cars- if CO2 > 75g/km but do not exceed 130g/km | 18% | 18% | 18% |
| Motor Cars- if CO2 > 130g/km | 8% | 8% | 8% |
| Small pool write off where WDV is £1,000 or less | 100% | 100% | 100% |
| CO2 emissions are 75g/km or less (or car is electric) | 100% | 100% | 100% |
| First year allowances for certain energy-saving/water efficient products | 100% | 100% | 100% |
| Annual investment allowance | 100% | 100% | 100% |
| <i>1 AIA level set permanently from 1 January 2016 at £200,000 pa</i> | | | |
| Research and Development Tax Credit Rates | | | |
| SME Rate | 230% | 230% | 230% |
| Research and development SME payable credit | 14.5% | 14.5% | 14.5% |
| Research and development expenditure credit (RDEC) scheme | 11% | 11% | 12% |
| Patent Box | | | |
| Patent box | 10% | 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% | 20% |
| Reduced rate | 5% | 5% | 5% |
| Zero rate | 0% | 0% | 0% |
| Flat rate of VAT on gross turnover (For Limited Cost Trader) | 16.5% | 16.5% | 16.5% |
| Normal scheme registration threshold | 83,000 | 85,000 | 85,000 |

| | | | |
|---|-----------|-----------|-----------|
| Deregistration threshold | 81,000 | 83,000 | 83,000 |
| Cash accounting scheme -maximum to join | 1,350,000 | 1,350,000 | 1,350,000 |
| Cash accounting scheme - exit threshold | 1,600,000 | 1,600,000 | 1,600,000 |
| Annual accounting scheme – maximum to join | 1,350,000 | 1,350,000 | 1,350,000 |
| Annual accounting scheme – exit threshold | 1,600,000 | 1,600,000 | 1,600,000 |
| Flat rate scheme – maximum allowed to join | 150,000 | 150,000 | 150,000 |
| Flat rate scheme exit threshold | 230,000 | 230,000 | 230,000 |
| Annual Tax on Enveloped Dwellings (ATED) | | | |
| More than £0.5m but not more than £1m | 3,500 | 3,500 | 3,600 |
| More than £1m but not more than £2m | 7,000 | 7,050 | 7,250 |
| More than £2m but not more than £5m | 23,350 | 23,550 | 24,250 |
| More than £5m but not more than £10m | 54,450 | 54,950 | 56,550 |
| More than £10m but not more than £20m | 109,050 | 110,100 | 113,400 |
| More than £20m | 218,200 | 220,350 | 226,950 |

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