

TAXFAX

2017/18

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ROTHENBERG

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Allowances and reliefs

	2017/18	2016/17	Notes
Personal allowance	£11,500	£11,000	i, ii
10% of the personal allowance can be transferred between spouses/civil partners where neither is a higher rate tax payer			ii
Blind person's allowance	£2,320	£2,290	
Married/civil partner's allowance			
At least one partner born before 6 April 1935	£8,445	£8,355	ii, iii
Minimum married/civil partner's allowance	£3,260	£3,220	ii, iii
Savings allowance for basic rate taxpayer	£1,000	£1,000	
Savings allowance for higher rate taxpayer	£500	£500	
Dividend allowance	£5,000	£5,000	iv
Rent-a-room - maximum	£7,500	£7,500	
High income child benefit charge threshold	£50,000	£50,000	v
Micro-entrepreneurs' allowances	£2,000	N/A	vi

Notes

- i Reduced by £1 for every £2 of income over £100,000
- ii Non-residents may not be entitled to personal allowances in certain circumstances
- iii Available to persons born before 6 April 1935
 - Reliefs for this allowance given at 10%
 - Reduced to the minimum allowance by £1 for every £2 over £28,000 (£27,700 in 2016/17)
- iv Dividend allowance to be reduced from £5,000 to £2,000 from 6 April 2018
- v Charge of 1% of the benefit per £100 of adjusted net income over £50,000
100% of the benefit withdrawn when adjusted net income reaches £60,000
- vi £1,000 allowance for trading income and a £1,000 allowance for property income

Individuals - Income Tax rates and bands

	2017/18	2016/17
Bands		
Starting rate limit*	£5,000	£5,000
Basic rate band	£1 - £33,500	£1 - £32,000
Higher rate band	£33,501 - £150,000	£32,001 - £150,000
Additional rate band	Over £150,000	Over £150,000

*Not available where utilised by taxable non-savings income

	2017/18	2016/17
Rates		
Basic rate	20%	20%
Higher rate	40%	40%
Additional rate	45%	45%
Starting rate for savings income	0%	0%
Dividend ordinary rate*	7.5%	7.5%
Dividend upper rate*	32.5%	32.5%
Dividend additional rate*	38.1%	38.1%

*After applying the dividend allowance

Trusts - Income Tax rates

	2017/18		2016/17	
	Dividends	Other	Dividends	Other
Interest in possession trusts and up to £1,000 for discretionary and accumulation and maintenance trusts	7.5%	20%	7.5%	20%
On income for non-interest in possession trusts over £1,000	38.1%	45%	38.1%	45%

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

	2017/18	2016/17	Notes
Lifetime allowance	£1m	£1m	i, ii
Annual allowance	£40,000	£40,000	iii, iv, v, vi
Money purchase annual allowance	£4,000	£10,000	

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 Pension lifetime allowance to increase from April 2018 in line with inflation
- iii 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
- iv From 2016/17 the annual allowance is 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	2017/18	2016/17
Basic and standard rate taxpayers*	10%	10%
Higher and additional rate taxpayers*	20%	20%
Trusts and personal representatives*	20%	20%
Gains qualifying for Entrepreneurs' Relief	10%	10%

*An additional 8% applies to gains on disposals of residential property and carried interest

Exemptions and reliefs	2017/18	2016/17
Annual exemption		
Individuals	£11,300	£11,100
Trusts	£5,650	£5,550
Entrepreneurs' Relief		
Maximum lifetime allowance	£10m	£10m
Long-term investors' lifetime allowance	£10m	£10m

Non-residents' CGT

Non-UK residents are subject to CGT on disposals of UK residential property on the increase in the value from 6 April 2015

Inheritance Tax (“IHT”)

Rates and bands

On death	2017/18	2016/17	Notes
Nil rate band £1 - £325,000	0%	0%	i
Over £325,000	40%	40%	ii
Residence nil rate band	£100,000	N/A	i,iii

- i Nil rate band for estate of surviving spouse/civil partner is increased by the percentage of the nil rate band unutilised by the predeceased spouse/civil partner
- ii Tax rate reduces to 36% when at least 10% of net chargeable estate is left to charity
- iii Reduced by £1 for every £2 of the net value of the deceased's estate over £2m. Set to increase to £175,000 from 6 April 2020

Main exemptions/reliefs

- Spouse/civil partner - both UK domiciled (or transferor non-domiciled) **unlimited**
- Gift from UK domiciled to non-UK domiciled spouse/civil partner **£325,000**
(An election is available for the non-domiciled spouse/civil partner to be treated as UK domiciled for IHT purposes)
- 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

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:

Years	0-3	3-4	4-5	5-6	6-7	Over 7
Taper relief	0%	20%	40%	60%	80%	100%
Effective rate of IHT	40%	32%	24%	16%	8%	0%

Individual Savings Accounts (“ISAs”)

	2017/18	2016/17	Notes
Cash, shares and innovative finance combined limit	£20,000	£15,240	
Junior ISA	£4,128	£4,080	i
Help to buy ISA	£2,400	£2,400	ii, iii
Lifetime ISA	£4,000	N/A	iii, iv

Notes

- i Available to children not entitled to a Child Trust Fund
- ii First time buyers over 16
- iii A 25% bonus from the government is available
- iv Available to individuals under 40 to save for their first home or retirement. Maximum contributions of £4,000 per annum

Corporation Tax

	2017/18	2016/17	Notes
Corporation Tax - all profits and gains	19%	20%	i
Diverted Profits Tax	25%	25%	ii
Patent box effective rate	10%	11%	iii

Notes

- i Reduction in corporation tax rate to 17% from 1 April 2020
- ii Applies to profits artificially diverted from the UK
- iii Regime was reformed from 1 July 2016. Existing regime available until 2021 if an election is made for periods to 30 June 2016. Thereafter, lower rates are applied in modified format and restricted to profits derived from R&D activities of the company

Research and Development (“R&D”) tax credits

	2017/18	2016/17
SME enhanced deduction	130%	130%
SME cash credit for surrendered R&D losses	14.5%	14.5%
Large company above the line credit	11%	11%

Capital allowances

	2017/18	2016/17	Notes
Plant and machinery			
Annual investment allowance	100%	100%	i
Long life assets (at least 25 years) and integral features	8%	8%	
Other assets	18%	18%	
Intangible assets	4%	4%	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			
CO₂ emissions (g/km)			
75 or less	100%	100%	
76 - 130	18%	18%	
over 130	8%	8%	
Notes			
i	Maximum allowance of £200,000 p.a.		
ii	Intangibles excludes purchased goodwill and customer related intangible assets acquired after 8 July 2015. Tax deduction for accounting depreciation may be claimed instead		

Value Added Tax (“VAT”)

2017/18

Standard rate	20%
Reduced rate	5%

VAT registration thresholds

Registration required:	If UK taxable turnover is:
UK established businesses	More than £85,000 p.a. (1 April 2017)
Non-UK established businesses	Any amount
Deregistration is possible	Less than £83,000 p.a. (1 April 2017)
Distance selling (goods supplied from other EU countries to UK private consumers)	More than £70,000 (per calendar year)

Other VAT schemes

Eligible to use Cash Accounting Scheme	Less than £1,350,000 p.a.
Eligible to use Annual Accounting Scheme	Less than £1,350,000 p.a.
Eligible to use Flat Rate Scheme	Less than £150,000 p.a.

Stamp Duty Land Tax (“SDLT”)

Stamp Duty Land Tax **2017/18** and 2016/17 chargeable on purchase of land and property 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 and buy-to-let property

Non-residential/mixed use (purchase price/premium payable) from 17 March 2016

Rate*	£
0%	Up to 150,000
2%	150,001 to 250,000
5%	Over 250,000

Leasehold rent transactions (net present value of rent)

Residential		Non-residential/mixed use	
Rate*	£	Rate*	£
0%	Up to 125,000	0%	Up to £150,000
1%	Over 125,000	1%	150,001 to 5,000,000
		2%	Over 5,000,000

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

Annual Tax on Enveloped Dwellings (“ATED”)

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:

	2017/18	2016/17
Residential property value	Annual charge	Annual charge
Up to £500,000	£n/a	£n/a
£500,001 - £1,000,000	£3,500	£3,500
£1,000,001 - £2,000,000	£7,050	£7,000
£2,000,001 - £5,000,000	£23,550	£23,350
£5,000,001 - £10,000,000	£54,950	£54,450
£10,000,001 - £20,000,000	£110,100	£109,050
Over £20,000,000	£220,350	£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

Tax free mileage rates

2017/18 and 2016/17

	Rate per mile
Employee's own car	
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

National Insurance Contributions (“NIC”)

Class 1 primary employees 2017/18 (and 2016/17)

Total weekly earnings - contracted in up to £157 (£155)	nil
over £157 to £866 (£155 to £827)	12%
over £866 on excess (£827)	2%

Class 1 secondary employers

Total weekly earnings - contracted in up to £157 (£156)	nil
over £157 (£156)	13.8%

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 **£2.85** p.w. if earning over **£6,025 p.a.**
(£2.80 p.w. if earning over £5,965) p.a.

Class 3 voluntary **£14.25 p.w.** (£14.10 p.w.)

Class 4 self employed **9%** on profits over **£8,164 to £45,000**
(£8,060 to £43,000) and a further **2%** on profits above **£45,000** (£43,000)

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

NIC incentive - Class 1 secondary NIC will not be due from employers with employees under the age of 25 who earn up to **£866** (£827) per week

Class 2 NICs for self-employed abolished from 6 April 2018 (Class 4 NICs will be reformed so self-employed continue to build entitlement to contributory benefits including State Pension)

CONTACTS

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