

Tech Talk

March 2016

2016/17 Tax Rates at a Glance

Following George Osborne's Budget announcement on 16 March, please find detailed below the proposed new tax rates and tax bands which the James Hay Partnership Technical Support Unit has put together to help you.

The Technical Support Unit will be producing further Tech Talks discussing the detail of the other main changes announced in the Budget and their impact as and when further information becomes available.

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Income Tax

Rate of Tax (%)		2016/17	2015/16
Starting rate	0%	£0 - £5,000	£0 - £5,000
Basic rate	20%	£0 - £32,000	£0 - £31,785
Higher rate	40%	£32,001 - £150,000	£31,786 - £150,000
Additional rate	45%	Over £150,000	Over £150,000
Basic rate on dividends	7.5%	Over the £5,000 dividend allowance	10%
Higher rate on dividends	32.5%	Over the £5,000 dividend allowance	32.5%
Additional rate on dividends	38.1%	Over the £5,000 dividend allowance	37.5%
Trust standard rate	20%	£0 - £1,000	£0 - £1,000
Trust rate	45%	£1,001+	£1,001+

- The 0% starting rate applies for savings income only. If an individual's non-savings taxable income exceeds the starting rate limit, the 0% starting rate for savings will not be available for savings income.
- Non-savings income represents the first slice of income for the purposes of the above bands. Although not specifically defined in the legislation, non-savings income broadly covers earnings, pensions, income from property, trading profits and taxable social security benefits.
- Gross dividend income in 2015/16 is taxed at 10% for basic rate, 32.5% for higher rate and 37.5% for additional rate taxpayers. In 2016/17 the grossing up of dividends ceases with the first £5,000 of dividend income being subject to no further tax. Dividend income in excess of £5,000 will be taxed at the rates shown above.
- Trusts do not benefit from the £5,000 dividend allowance and dividend income falling within the standard rate will be taxed at 7.5% and any dividend income above that will be taxed at 38.1%.

Personal Allowances

	2016/17	2015/16
Personal allowance (Note 1)	£11,000	£10,600
Personal savings allowance - basic rate taxpayer (Note 2)	£1,000	N/A
Personal savings allowance - higher rate taxpayer (Note 2)	£500	N/A
Dividend allowance (Note 2)	£5,000	N/A
Married couple's allowance (Note 3)	£8,355	£8,355
Income limit for married couple's allowances (born before 6 April 1935) (Note 4)	£27,700	£27,700
Married couple's allowance - minimum amount	£3,220	£3,220
Blind person's allowance	£2,290	£2,290
Transferable personal allowance for spouses and civil partners (Note 5)	£1,100	£1,060

Note 1 - Where an individual's 'adjusted net income' exceeds £100,000, the level of the personal allowance will be reduced by £1 for each £2 over £100,000 until it reaches zero. In 2016/17 this means that where an individual would normally have a full personal allowance, they will be taxed at the marginal rate of 60% of income in excess of £100,000 up to £122,000.

Note 2 - The personal savings allowance and dividend allowance are technically not allowances but additional 0% tax bands. Income within these allowances will still count towards an individual's basic or higher rate limits.

Note 3 - Tax relief for married couple's allowance is given at 10%. Claimants must be born before 6 April 1935.

Note 4 - The reduction in married couples allowance is £1 for every £2 above the income limit.

Note 5 - It is possible to transfer 10% of the personal allowance between spouses/civil partners. To be eligible to do so, neither spouse/civil partner should suffer tax at anything higher than basic rate tax and should not be in receipt of married couple's allowance.

Inheritance Tax (IHT)

The nil rate band remains at **£325,000** as does the rate at 40%. A lower rate of inheritance tax of 36% applies where 10% or more of the deceased person's net estate is left to charity.

Any nil rate band which was unused by a deceased spouse or registered civil partner can be transferred to a surviving spouse/civil partner. An additional nil rate band of £100,000 for main residence will apply from 6 April 2017.

Capital Gains Tax

The annual exemption for 2016/17 is **£11,100**. The annual exemption for trustees is therefore £5,550.

For individuals the flat rate of capital gains tax that applies to gains in excess of the annual exemption will be reduced from 18% to 10% up to the higher rate tax threshold. Chargeable gains in excess of the basic rate tax threshold will reduce from 28% to 20%.

An 8% surcharge will apply to gains on residential property. CGT does not apply to an individual's main home, only to additional residential properties they own.

The rate applicable to trusts, though not yet confirmed, should be reduced from 28% to 20%.

Gains eligible for Entrepreneurs' Relief are taxed at an effective rate of 10%. The limit is £10 million.

Pension Schemes Allowances

The annual allowance for 2016/17 is £40,000. Pension funding that exceeds the annual allowance in a tax year can be offset against any unused annual allowance from the previous 3 tax years. Access to unused annual allowance from a previous tax year depends on the individual being a member of a registered pension scheme at some point during the tax year.

Since 6 April 2015, where an individual flexibly accesses benefits under a money purchase arrangement, the money purchase annual allowance is triggered and applies from that date onwards. Where the individual's future money purchase pension funding exceeds £10,000 in a tax year, they will be subject to an annual allowance charge for that tax year.

From 6 April 2016, individuals with threshold income in excess of £110,000 and adjusted income of more than £150,000 in a tax year will be subject to a tapered annual allowance in that tax year. £1 of annual allowance is lost for every £2 of adjusted income above £150,000. Individuals with adjusted income of £210,000 or more will be subject to an annual allowance of £10,000 in the tax year.

The standard lifetime allowance from 6 April 2016 is £1m. From 6 April 2018 it will be increased in line with the Consumer Price Index.

Two new forms of protection will be available from 6 April 2016 - fixed protection 2016 and individual protection 2016.

National Insurance Contribution Rates

	2016/17	2015/16
Class 1		
Lower earnings limit (primary) per week	£112	£112
Upper earnings limit (primary) per week	£827	£815
Upper Accruals Point per week	N/A	£770
Primary threshold per week	£155	£155
Secondary threshold per week	£156	£156
Employees primary class 1 rate between £155.01 (£155.01) and £827 (£815) per week	12%	12%
Employees primary class 1 on excess above £815 (£815) per week	2%	2%
Employees contracted out rebate - salary related schemes (COSRS) between LEL & UAP	N/A	1.4%
Employers secondary class 1 rate above £156 (£156) per week	13.8%	13.8%
Employers COSRS schemes between LEL and UAP	N/A	3.4%
Class 2		
Class 2 per week	£2.80	£2.80
Class 2 small earnings exemption per annum	£5,965	£5,965
Class 3		
Class 3 per week	£14.10	£14.10
Class 4		
Class 4 rate on profits between £8,060 (£8,060) and £43,000 (£42,385) per year	9%	9%
Class 4 rate on profits in excess of £43,000 (£42,385) p.a.	2%	2%
Class 4 lower profits limit	£8,060	£8,060
Class 4 upper profits limit	£43,000	£42,385

Corporation Tax

	FY 2016/17	FY 2015/16
Main rate	20%	20%

Stamp Duty Taxes

Stamp Duty Land Tax (SDLT) in England, Wales and Northern Ireland Residential Properties

Property value (£)	Tax rate charged on part of property price within each tax band
£0 - £125,000	0%
£125,001 - £250,000	2%
£250,001 - £925,000	5%
£925,001 - £1,500,000	10%
£1,500,001 +	12%
Certain non-natural persons enveloping a residential property in sole or joint names (unless relief is available for general commercial business transactions): <ul style="list-style-type: none">• all such purchases by bodies corporate• all collective investment schemes; and• all partnerships where one or more members are one of the above.	15%

An SDLT supplement of 3% is to be charged on the purchase of additional residential properties above £40,000, such as buy to let and second homes from 1 April 2016. The supplement will be applied to the whole purchase price not just the proportion above £40,000.

Non-Residential Properties

Property value (£)	Tax rate charged on part of property price within each tax band
£0 - £150,000	0%
£150,001 - £250,000	2%
£250,000+	5%

Land and Buildings Transaction Tax (LBTT) in Scotland - Residential Properties

Bands	Tax rate charged on part of property price within each tax band
£0 - £145,000	0%
£145,001 - £250,000	2%
£250,001 - £325,000	5%
£325,001 - £750,000	10%
£750,001+	12%

An LBTT supplement of 3% is to be charged on the purchase of additional residential properties above £40,000, such as buy to let and second homes from 1 April 2016. The supplement will be applied to the whole purchase price not just the proportion above £40,000.

Non-Residential Properties

Bands	Tax rate charged on part of property price within each tax band
£0 - £150,000	0%
£150,001 - £350,000	3%
£350,001+	4.5%

Transfer of stocks and shares

Stamp duty/stamp duty reserve tax on transfers of shares and securities is unchanged at 0.5% for 2016/17.

Value Added Tax (VAT)

The standard rate of VAT remains at 20%.

Individual Savings Accounts (ISAs)

The ISA limit will remain at £15,240. The Junior ISA and Child Trust Fund limit subscription limit, will remain at £4,080.



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Further information

Visit the Technical Hub for further information:



www.jameshay.co.uk/technicalhub

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