

## Taxation and Allowances Guide 2016/17

### INCOME TAX

Bands		2016/17	2015/16
<b>£0-£32,000</b>	(£0-£31,785)	<b>20%</b>	(20%)
<b>£32,001-£150,000</b>	(£31,786-£150,000)	<b>40%</b>	(40%)
<b>Over £150,000</b>	(£150,000)	<b>45%</b>	(45%)

From 6 April 2016 the first **£5,000** (£Nil) of dividends will be taxed at **0%** and this amount is taken into account in determining the income tax band. Dividends above **£5,000** will be taxed at **7.5%** (10%), **32.5%** (32.5%) or **38.1%** (37.5%) as the top slice of total income. The dividend tax credit of 10% is abolished from 5 April 2016.

From 6 April 2016 the personal savings allowance will exempt interest income of **£1,000** for basic rate taxpayers (20%) and **£500** for higher rate (40%) taxpayers. The allowance does not apply to additional rate taxpayers (45%).

In addition to the personal savings allowance, other non-dividend savings income (typically bank and building society interest) is taxed at **0%** (0%) up to **£5,000** (£5,000). This **0%** rate is not available if income from other sources, including dividends, exceeds **£5,000** (£5,000).

From 6 April 2016, bank and building society interest will be paid without deduction of tax.

There are special rules for trusts and also for individuals with income assessable on the remittance basis.

An additional tax charge applies to claw back child benefit where one income in a household exceeds £50,000, with full clawback by £60,000.

From 6 April 2016, **10%** of the income of an individual living in Scotland will be collected as Scottish income tax, with the balance (10%/30%/35%) of each tax band collected as UK income tax.

Personal allowances	2016/17	2015/16
Personal allowance (a)	<b>£11,000</b>	(£10,660)
Income limit for personal allowance (b)	<b>£100,000</b>	(£100,000)
Blind person's allowance	<b>£2,290</b>	(£2,290)
Married couple's allowance (b) (c)	<b>£8,355</b>	(£8,355)
Marriage allowance (d)	<b>£1,100</b>	(£1,060)

- From 2016/17 the personal allowance applies to all individuals. In 2015/16 a higher allowance (£10,660) applied to those born before 6 April 1938, subject to restriction where income exceeded £27,700.
- The personal allowance and married couple's allowance are reduced by £1 for each £2 by which income exceeds £100,000, irrespective of age or date of birth.
- Relief is limited to 10%, and extends to civil partnerships. At least one spouse/partner must have been born before 6 April 1935. The allowance is reduced where income exceeds **£27,700** (£27,700) subject to an absolute minimum of **£3,220** (£3,220).
- For those born after 5 April 1938, a basic rate or non taxpayer can transfer up to **£1,100** (£1,060) of the personal allowance to a spouse or civil partner. Relief is given at 20%.

#### Cap on income tax reliefs

Certain income tax reliefs are capped at the greater of **£50,000** or **25%** of income. This excludes charitable donations.

### COMPANY CARS – ANNUAL BENEFITS

The annual benefit is a percentage of list price, with the percentage dependent on the level of CO<sub>2</sub> emissions. The benefit is 7% for emissions of **0-50g/km**, and **11%** for **51-75g/km**. For emissions of **76-94g/km**, the rate is **15%** and increases by **1%** at **95g/km**, and then for each additional full **5g/km** up to a maximum charge of **37%** for emissions of **200g/km** or more. Emission levels are rounded down to the nearest multiple of five. List price includes certain accessories, but is reduced for capital contributions of up to **£5,000**.

There is a diesel supplement of **3%**, subject to the maximum charge of **37%**.

The taxable benefit for significant private use of vans is **£3,170** (£3,150).

Where fuel is provided for private use in a company car, the taxable benefit percentage is applied to **£22,200** (£22,100). The benefit for fuel provided for a van with significant private use is **£598** (£594).

### PENSIONS

	2016/17	2015/16
Lifetime allowance (a)	<b>£1,000,000</b>	(£1,250,000)
Equivalent to defined benefit pension	<b>£50,000</b>	(£62,500)
Maximum contribution annual allowance (b)	<b>£40,000</b>	(£40,000)
Tax on excess	<b>Marginal rate</b>	(Marginal rate)
Normal minimum pension age	<b>55</b>	(55)

- Special rules can apply to individuals with larger benefits at 5 April 2006, and for those with benefits over £1,500,000 on 5 April 2012, over £1,250,000 on 5 April 2014 and over £1,000,000 on 5 April 2016. Excess over the lifetime allowance may be subject to a 25% charge plus income tax on balances drawn, or 55% for lump sum benefits.
- Unused allowances from the previous three tax years (by reference to a limit of £50,000 p.a. to 2013/14 and £40,000 thereafter) may be carried forward, increasing the current year's allowance in 2016/17. With effect from 6 April 2016, there will be a reduction in the annual allowance by £1 for every £2 of adjusted income in excess of £150,000, up to a limit of £210,000.

Pension **auto-enrolment** minimum earnings **£10,000**

### CAPITAL GAINS TAX

	2016/17	2015/16
Basic rate taxpayers (a)	<b>10%</b>	(18%)
Trustees and <b>40%/45%</b> (40%/45%) taxpayers (a)	<b>20%</b>	(28%)
Annual exempt amount – individuals	<b>£11,100</b>	(£11,100)
Annual exempt amount – trusts	<b>£5,550</b>	(£5,500)
Entrepreneurs' relief lifetime limit	<b>£10m</b>	(£10m)
Entrepreneurs' rate	<b>10%</b>	(10%)

- Gains on residential properties not qualifying for principal private residence relief, and on carried interest, are taxed at **18%** and **28%** respectively.

### INHERITANCE TAX

	2016/17	2015/16
Nil rate band*	<b>£325,000</b>	£325,000
Rate of tax above nil rate band**	<b>40%</b>	40%
Lifetime transfers to most trusts	<b>20%</b>	20%

Unlimited exemption for transfers between spouses/civil partners, except if UK domiciled transferor and foreign domiciled transferee, where maximum exemption £325,000. 100% Business Property Relief (BPR) for all shareholdings in qualifying unquoted trading companies, qualifying unincorporated trading businesses and certain farmland/buildings. 100% Agricultural Property Relief (APR) available on agricultural value of qualifying farmland/buildings.

BPR or APR available at 50% on certain property.

\*Up to 100% of the proportion of a deceased spouse's/civil partner's unused nil rate band may be claimed to increment the current nil rate band when the survivor dies.

\*\*Rate reduced to 36% if at least 10% of the relevant estate is left to charity.

#### Reduced tax charge on gifts within 7 years before death

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

Annual exemptions for lifetime gifts include £3,000 per donor and £250 per recipient.

### TAX-EFFICIENT INVESTMENTS

	2016/17
ISA limit (a)	<b>£15,240</b>
Junior ISA limit (a)	<b>£4,080</b>

- Investment can be in cash or shares, and peer to peer lending platforms.

**Help to Buy ISA:** for first time buyers. Maximum deposits of **£200** per month, plus an initial deposit of up to **£1,000**.

**Venture Capital Trusts (VCTs):** income tax relief at up to **30%** on investment up to **£200,000** and with capital gains tax reliefs.

**Enterprise Investment Scheme (EIS):** income tax relief at up to **30%** on qualifying share subscriptions up to **£1m** and with capital gains tax reliefs.

**Seed Enterprise Investment Scheme (SEIS):** income tax relief of **50%** on investment up to **£100,000** and with rollover of chargeable gains.

**Social Investment Tax Relief (SITR):** income tax relief of **30%** on investment up to **£1m** and with capital gains tax reliefs.

## AIR PASSENGER DUTY

Rates per passenger (a)	Lowest class of travel	Other classes of travel	Higher rate (b)
<b>From 1 April 2016 (c)</b>			
<b>Band A</b> (0-2,000 miles from London)	£13	£26	£78
<b>Band B</b> (over 2,000 miles from London)	£73	£146	£438

- (a) Flights from airports in the Scottish Highlands and Islands, and long haul flights from airports in Northern Ireland are exempt.
- (b) Aircraft over 20 tonnes and seating fewer than 19 passengers.
- (c) Air passenger duty is not charged for the lowest class of travel for children aged 16 and under at time of flight (12 and under prior to 1 March 2016).

## CORPORATION TAX

Financial year (from 1 April)	2016	2015
Main rate	<b>20%</b>	(20%)

From 1 January 2016, there has been an 8% corporation tax surcharge on bank profits, before carried forward losses.

## DIVERTED PROFITS TAX

Companies with diverted profits (as defined) pay diverted profits tax at 25% on such profits.

## CAPITAL ALLOWANCES

Expenditure on:	2016/17	2015/16
Plant and machinery (a)	<b>18%</b>	(18%)
Plant and machinery in certain enterprise zones	<b>100%</b>	(100%)
Motor cars – CO <sub>2</sub> emissions;		
≤75g/km (≤75g/km) (a)	<b>100%</b>	(100%)
75-130g/km (75-130g/km) (a)	<b>18%</b>	(18%)
>130g/km (>130g/km) (a)	<b>8%</b>	(8%)
New and unused zero emission goods vehicles	<b>100%</b>	(100%)
Long life assets/integral features in buildings (a)	<b>8%</b>	(8%)
Patent rights and know-how (a) (b)	<b>25%</b>	(25%)
Mines, oil wells, mineral rights (a) (c)	<b>25%</b>	(25%)
Research and development	<b>100%</b>	(100%)
Energy-saving and water efficient plant and machinery	<b>100%</b>	(100%)
Renovation of business premises (disadvantaged areas)	<b>100%</b>	(100%)

## NATIONAL INSURANCE CONTRIBUTIONS (NIC)

### Class 1 employees (a)

#### Weekly earnings

Up to <b>£155</b> (£155)	<b>Nil</b> (nil)
<b>£155.01-£827</b> (£155.01-£815)	<b>12%</b> (12%)
Over <b>£827</b> (over £815)	<b>2%</b> (2%)

### Class 1 employers (b)(c)

#### Weekly earnings

Up to <b>£156</b> (£156)	<b>Nil</b> (nil)
Over <b>£156</b> (Over £156)	<b>13.8%</b> (13.8%)

- (a) Prior to 6 April 2016, lower rates applied for 'contracted out' employees.
- (b) Businesses and charities can claim a reduction of up to **£3,000** (£2,000) of their employers' contributions ("NIC employment allowance").
- (c) No employers' contributions are payable in respect of weekly earnings up to **£827** paid to employees under 21 and apprentices under 25.

### Other

**Class 1A** (employers only): **13.8%** (13.8%) on the amounts of taxable benefits.

**Class 1B** (employers only): **13.8%** (13.8%) in respect of amounts in a PAYE settlement agreement and the income tax thereon.

**Class 2** (flat rate for self-employed): **£2.80** (£2.80) per week on profits above **£5,965** (£5,965).

**Class 3** (voluntary): **£14.10** (£14.10) per week.

**Class 4** (self-employed): **9%** (9%) of profits between **£8,060** (£8,060) and **£43,000** (£42,385) per annum and **2%** (2%) on profits above **£43,000** (£42,385).

## ANNUAL TAX ON ENVELOPED DWELLINGS

An annual tax on enveloped dwellings is payable by a company (or similar entity) owning a residential property with a value ≥ **£0.5m** (≥ £1m) on 1 April 2012 (or date of later acquisition). Tax is charged in bands, from a minimum of **£3,500** (£7,000) to a maximum of **£218,200** (£218,200).

## PATENT BOX AND RESEARCH & DEVELOPMENT TAX CREDITS

**Patent box** – effective **11.0%** (12.0%) corporation tax rate; applies to **80%** (80%) of relevant profits, increasing to 100% by 1 April 2017; an effective **10%** rate.

**R&D tax credit** – additional **130%** (130%) (SMEs) or **30%** (30%) (large companies) until 31 March 2016 deduction of qualifying expenditure.

**R&D expenditure credit** – for large companies, with a minimum rate of **11%** (11%) of qualifying expenditure. By election prior to 1 April 2016, and mandatory after that.

## BANK LEVY

	From 1 January	
	2016	2017
Short-term liabilities	<b>0.18%</b>	<b>0.17%</b>
Long-term equity and liabilities	<b>0.09%</b>	<b>0.085%</b>

## VALUE ADDED TAX

Standard rate	<b>20%</b>
Lower rate	<b>5%</b>
Zero rate	<b>0%</b>

**Registration threshold (from 1 April 2016):** taxable supplies at the end of any month exceed **£83,000** (£82,000) either in the past 12 months or the next 30 days.

## INSURANCE PREMIUM TAX

Standard rate	<b>9.5%</b> (10% from 1 October 2016)
Higher rate	<b>20%</b>

## STAMP DUTIES AND PROPERTY TRANSACTION TAXES

### England & Wales: Stamp duty land tax (a)

Non-residential land and buildings - rates applied cumulatively

	From 17 March 2016	To 16 March 2016 (b)
<b>£0-£150,000</b>	<b>0%</b>	(0%)
<b>£150,001-£250,000</b>	<b>2%</b>	(1%)
<b>Over £250,000</b>	<b>5%</b>	-
£250,001-£500,000	-	(3%)
Over £500,000	-	(4%)

Residential land and buildings (c)(d) - rates applied cumulatively

	2016/17	2015/16
<b>£0-£125,000</b>	<b>0%</b>	(0%)
<b>£125,001-£250,000</b>	<b>2%</b>	(2%)
<b>£250,001-£925,000</b>	<b>5%</b>	(5%)
<b>£925,001-£1,500,000</b>	<b>10%</b>	(10%)
<b>Over £1,500,000</b>	<b>12%</b>	(12%)

### Scotland: Land & buildings transaction tax (a)

Non-residential land and buildings - rates applied cumulatively

	2016/17	2015/16
<b>£0-£150,000</b>	<b>0%</b>	(0%)
<b>£150,001-£350,000</b>	<b>3%</b>	(3%)
<b>Over £350,000</b>	<b>4.5%</b>	(4.5%)

Residential land and buildings (d) - rates applied cumulatively

	2016/17	2015/16
<b>£0-£145,000</b>	<b>0%</b>	(0%)
<b>£145,001-£250,000</b>	<b>2%</b>	(2%)
<b>£250,001-£325,000</b>	<b>5%</b>	(5%)
<b>£325,001-£750,000</b>	<b>10%</b>	(10%)
<b>Over £750,000</b>	<b>12%</b>	(12%)

- (a) All figures are calculated inclusive of any VAT. For leases, the rate is based on the discounted rental values.
- (b) Prior to 17 March 2016, rates applied to full consideration.
- (c) Where residential property over **£500,000** is purchased by a company (or similar entity) a **15%** rate applies.
- (d) A **3%** surcharge applies to all second and additional residential properties on transactions of **£40,000** or more.

	2016/17
<b>Stamp duty – shares and securities</b>	<b>0.5%</b>
<b>Stamp duty reserve tax</b>	<b>0.5%/1.5%</b>

Stamp duty, and stamp duty reserve tax, is not charged on recognised growth markets, including AIM and ISDX.