

On Wednesday 8 March 2017, the Chancellor, Philip Hammond, delivered his first (and last!) Spring Budget. He confirmed that the Office for Budget Responsibility (OBR) had upgraded growth forecasts for this year, but downgraded them for each of the following three years. Public sector borrowing in 2016/17 was due to be significantly lower than forecast in the Autumn Statement in November 2016, but is expected to rise in 2017/18, before returning to a downward trajectory from 2018/19 onwards. By 2021/22, the UK's deficit is forecast to be 0.7% of GDP; the lowest level in two decades.

### Income tax rates and thresholds (England and Wales)

	2016/17 (£)	2017/18 (£)	Tax rate (%)
<b>Personal allowance*</b>	11,000	11,500	0
<b>Basic rate</b>	11,001 - 43,000	11,501 - 45,000	20
<b>Higher rate</b>	43,001 - 150,000	45,001 - 150,000	40
<b>Additional rate</b>	over 150,000	over 150,000	45

Different allowances apply in Scotland.

\*The standard personal allowance is tapered away for anyone earning over £100,000 per annum. Once you have earnings of more than £122,000 per annum (in the 2016/17 tax year) you no longer benefit from a personal allowance.

### NIC rates and thresholds

For employees:

	2016/17	2017/18
	£ per week	
<b>No NICs due on your first:</b>	155	157
<b>Main rate of 12% due on earnings of:</b>	155 - 827	157 - 866
<b>NICs of 2% due on earnings over:</b>	827	866

### The key announcements relevant to personal financial planning, included:

- confirmation that, from April 2017, the personal allowance will increase to £11,500 and the threshold for higher rate tax will increase to £45,000 (and will then rise to £12,500 and £50,000 respectively by April 2020)
- the previously announced abolition of Class 2 National Insurance Contributions (NICs) for the self-employed will go ahead in April 2018 as planned
- however, in order to more closely align NICs between employed and self-employed individuals, the main rate of Class 4 NICs will increase to 10% from April 2018, and then to 11% from April 2019
- the £5,000 annual dividend allowance, introduced in April 2016, will reduce to £2,000 per annum from April 2018
- corporation tax will reduce to 19% in April 2017, then 17% in April 2020
- a new National Savings & Investment (NS&I) bond will be available from April 2017, paying 2.2% per year for three years, on savings of up to £3,000
- the Government's new Tax-Free Childcare scheme will launch in April 2017, replacing the existing Childcare Vouchers scheme (which ceases in April 2018); unlike Childcare Vouchers, the new Tax-Free Childcare scheme is available for both the self-employed and employed

## For the self-employed:

	2016/17	2017/18
<b>Small profits threshold for Class 2 NICs:</b>	£5,965 per year	£6,025 per year
<b>Class 2 NICs:</b>	£2.80 per week	£2.85 per week
<b>Lower profits limit (LPL) for Class 4 NICs:</b>	£8,060 per year	£8,164 per year
<b>Upper profits limit (UPL) for Class 4 NICs:</b>	£43,000 per year	£45,000 per year
<b>Class 4 NICs on profits between LPL and UPL:</b>	9%	9%
<b>Class 4 NICs on profits over UPL:</b>	2%	2%
<b>NICs of 2% due on earnings over:</b>	£827 per week	£866 per week

- Class 2 NICs will be abolished from April 2018.
- Class 4 NICs on profits between LPL and UPL will increase to 10% from April 2018 and 11% from April 2019.

## Pensions

- Standard annual allowance (AA): £40,000
- Standard lifetime allowance (LTA): £1,000,000
- The standard AA is tapered for anyone with earnings over £150,000 per annum, down to a minimum AA of £10,000.
- Anyone who has started to take benefits from a defined contribution (DC) or money purchase pension arrangement, is instead subject to the money purchase annual allowance (MPAA). The MPAA is £10,000 for the 2016/17 tax year, but reduces to £4,000 from April 2017.

## Individual Savings Accounts (ISAs)

- The ISA allowance increases to £20,000 per annum from April 2017.
- The Junior ISA allowance increases to £4,128 per annum from April 2017.
- Anyone aged 18-40 will also be eligible to open a new Lifetime ISA (LISA), with a savings limit of £4,000 per annum. The Government will then add a 25% bonus to any savings in a LISA (so if you saved the maximum of £4,000, the Government would add £1,000). The bonus is paid until you reach age 50. Please note; if you withdraw funds from a LISA prior to age 60, for any reason other than buying your first home, the bonus is removed and you will also pay a penalty of 6.25% on the amount you have contributed to the LISA.

## Dividend taxation

- For the 2016/17 and 2017/18 tax years, the dividend allowance is set at £5,000 per annum.
- From April 2018, the dividend allowance will reduce to £2,000 per annum.
- Any dividends received in the tax year, in excess of the dividend allowance, will be taxed at the following rates:
  - o **basic rate: 7.5%**
  - o **higher rate: 32.5%**
  - o **additional rate: 38.1%**

## Capital gains tax (CGT)

- The CGT annual exempt amount for individuals will increase to £11,300 from April 2017 (from £11,100 in the 2016/17 tax year).
  - Any gains realised by individuals in excess of this amount will be taxed at the following rates:
    - o **basic rate taxpayer (residential property\*) 18%**
    - o **higher rate taxpayer (residential property\*) 28%**
    - o **basic rate taxpayer (other gains) 10%**
    - o **higher rate taxpayer (other gains) 20%**
- \*CGT does not apply to your primary residence**
- Different rates apply for trustees.
  - Gains qualifying for entrepreneurs' relief are taxed at 10%.

## Inheritance tax (IHT)

The nil rate band for IHT remains at £325,000 for the 2017/18 tax year (and is currently fixed at this level until 2021). IHT of 40% is paid on the value of your estate that is over the nil rate band. However, from April 2017 a new IHT allowance is being introduced (the 'residence nil rate band'), which applies when your home is left to your children or grandchildren. For the 2017/18 tax year, the residence nil rate band is £100,000 per person (in addition to the standard nil rate band). Like the nil rate band, this allowance can be transferred to your spouse.

The residence nil rate band is tapered for estates worth over £2million.

## Any questions?

Should you have any queries regarding any of the information in this briefing, or would like assistance with your financial planning needs, please contact your usual Loricaweb adviser or get in touch:

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