

Philip Hammond, Chancellor of the Exchequer, delivered his Autumn Budget on Wednesday 22 November 2017. Although the Budget was notably quiet on the personal taxation front, this document summarises the key announcements and tax rates relevant to financial planning.

The Chancellor confirmed that the Office for Budget Responsibility (OBR) had downgraded growth forecasts. However, he was positive about the economic outlook, with national debt peaking this year and then gradually falling as a percentage of GDP. The UK's budget deficit is now forecast to reduce to 1.1% of GDP by 2022/23; the lowest level in 20 years.

Income tax rates and thresholds (England and Wales)

	2017/18 (£)	2018/19 (£)	Tax rate (%)
Personal allowance*	11,500	11,850	0
Basic rate	11,501 - 45,000	11,851 - 46,350	20
Higher rate	45,001 - 150,000	46,351 - 150,000	40
Additional rate	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 £122,400 per annum (in the 2017/18 tax year) you no longer benefit from a personal allowance.

NIC rates and thresholds

For employees:

	2017/18	2018/19
	£ per week	
No NICs due on your first	157	162
Main rate of 12% due on earnings of	157 - 866	162 - 892
NICs of 2% due on earnings over	866	892

The key announcements relevant to personal financial planning included:

- from April 2018, the personal allowance will increase to £11,850 and the threshold for higher rate tax will increase to £46,350 (no change to the additional rate threshold, which remains at £150,000)
- first-time buyers will no longer be required to pay stamp duty land tax on properties valued up to £300,000 (or on the first £300,000 of properties valued up to £500,000 in high-cost areas such as London)
- the standard lifetime allowance for pension savings will increase to £1,030,000 from April 2018
- no change to the pensions standard annual allowance or money purchase annual allowance, which remain at £40,000 and £4,000 respectively
- the State Pension will increase to £164.37 per week from April 2018 (different rates apply for those who retired before 6 April 2015)
- the abolition of Class 2 National Insurance Contributions (NICs) for the self-employed has been postponed until April 2019

For the self-employed:

	2017/18	2018/19
Small profits threshold for Class 2 NICs	£6,025 per year	£6,205 per year
Class 2 NICs	£2.85 per week	£2.95 per week
Lower profits limit (LPL) for Class 4 NICs	£8,164 per year	£8,424 per year
Upper profits limit (UPL) for Class 4 NICs	£45,000 per year	£46,350 per year
Class 4 NICs on profits between LPL and UPL	9%	9%
Class 4 NICs on profits over UPL	2%	2%
NICs of 2% due on earnings over	£866 per week	£892 per week

- Class 2 NICs will be abolished from April 2019.

Pensions

	2017/18 (£)	2018/19 (£)
Standard annual allowance (AA)	40,000	40,000
Standard lifetime allowance (LTA)	1,000,000	1,030,000

- 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) of £4,000.

Individual Savings Accounts (ISAs)

	2017/18 (£)	2018/19 (£)
ISA allowance	20,000*	20,000*
Junior ISA allowance	4,128	4,260

*Of which, £4,000 can be saved into a Lifetime ISA.

- Anyone aged under 40 on 6 April 2017, can open a Lifetime ISA (LISA), with a savings limit of £4,000 per annum. The Government adds 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. 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.

The contents of this briefing note are provided as information only and should not be relied upon as advice. The information is based on our understanding of current legislation in England and Wales. Levels and bases of, and reliefs from, taxation are subject to change and their value to you will depend on your personal circumstances. You should not act on any of the information provided without first seeking professional advice.

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Dividend taxation

- Dividend allowance:
 - **2017/18** £5,000
 - **2018/19** £2,000
- Any dividends received in the tax year, in excess of the dividend allowance, are taxed at the following rates:
 - **basic rate** 7.5%
 - **higher rate** 32.5%
 - **additional rate** 38.1%

Capital gains tax (CGT)

- Annual exempt amount:
 - **2017/18** £11,300
 - **2018/19** £11,700
 - Any gains realised by individuals in excess of this amount will be taxed at the following rates:
 - **basic rate taxpayer (residential property*)** 18%
 - **higher rate taxpayer (residential property*)** 28%
 - **basic rate taxpayer (other gains)** 10%
 - **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)

	2017/18	2018/19
Nil rate band	£325,000	£325,000
Residence nil rate band	£100,000	£125,000
Rate	40%	40%

The residence nil rate band is tapered away 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 Lorica adviser or get in touch:

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