



WAGNER

CHARTERED ACCOUNTANTS
THE PROFITABLE CHOICE

BUDGET BREAKDOWN

National Living Wage Allowances & Tax Bands

The government will introduce a new premium for those aged 25 and over starting at 50 pence leading to a new National Living Wage (NLW) of £7.20 in April 2016. On OBR forecasts, this means the NLW is expected to reach the government's target of over £9 by 2020.

An increase in the income tax personal allowance will be from £10,600 in 2015-16 to £11,000 in 2016-17 then to £11,200 from 2017-18.

https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/443267/6162_6118_Income_tax_-_Personal_allowance_and_basic_rate_limit_for_2016-17.pdf

The government plans to legislate ensuring that once the personal allowance reaches £12,500; it will be updated in line with the National Minimum Wage (NMW), ensuring that anyone on the NMW working 30 hours per week or less, does not pay income tax.

https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/442980/6102_Income_tax_-_Personal_allowance_indexation.pdf

The government will increase the higher rate threshold from £42,385 in 2015-16 to £43,000 in 2016-17 and to £43,600 in 2017-18.

https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/443267/6162_6118_Income_tax_-_Personal_allowance_and_basic_rate_limit_for_2016-17.pdf



National Insurance

The NICs Upper Earnings Limit will also increase to remain aligned with the higher rate threshold.

The government will consult in autumn 2015 on abolishing Class 2 National Insurance contributions (NICs) and reforming Class 4 NICs for the self-employed.

National Insurance contributions Employment Allowance – From April 2016, companies where the director is the sole employee will no longer be able to claim the Employment Allowance.

https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/442979/6042_6064_6111_Tax_lock_Income_Tax_National_Insurance_contributions_and_VAT.pdf

Benefits in Kind

Company car tax rates for 2019-20 will increase by the appropriate percentage of list price. They will be subject to a tax will increase of 3% for cars emitting more than 75 grams of carbon dioxide per kilometre (gCO₂ /km), to a maximum of 37%, in 2019-20. There will also be a 3 percentage point differential between the 0-50 & 51-75 gCO₂ /km bands and between the 51-75 & 76-94 gCO₂ /km bands.

Taxation of employee benefits and expenses, from April 2016, will be simplified in the tax system by introducing a statutory exemption for trivial benefits in kind costing less than £50.

https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/443041/Review_of_employee_benefits_and_expenses.pdf

Childcare

From September 2017, the free childcare entitlement will be extended to 30 hours a week for working parents of 3 and 4 year olds.

There is a strong commitment to introducing Tax-Free Childcare to support working parents with the costs of childcare. Due to a legal challenge, Tax-Free Childcare will now be launched from early 2017. The government will hold the existing scheme, Employer Supported Childcare, open to new entrants until the new scheme is introduced.

<https://www.gov.uk/government/news/government-confirms-tax-free-childcare-launch-date-as-it-welcomes-judgment-from-supreme-court>

Property Landlords

Finance cost relief for individual landlords will be restricted on residential property. This can only be claimed to the basic rate of tax and will be phased in over 4 years, starting from April 2017.

https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/443277/6041_Restricting_finance_cost_relief_for_individual_landlords_3.pdf

Non-Dom

From April 2017, individuals who are born in the UK to parents who are domiciled here and anybody who has been resident in the UK for more than 15 of the past 20 tax years will be deemed to be domiciled in the UK for tax purposes. A detailed note explaining these proposals has been published by the government, alongside the Summer Budget. With a technical consultation will be published later in the year.

https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/442987/Technical_paper_on_deeming.pdf

Insurance Premium Tax

From 1 November 2015, the standard rate of insurance premium tax (IPT) will be increase from 6% by 3.5 percentage points to 9.5%. From this date all premiums received by insurers using the IPT cash accounting scheme will be charged at 9.5%.

https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/443675/6000_Insurance_premium_tax.pdf

ISA

The ISA rules in the autumn adjusted to allow individuals to withdraw and replace money from their cash ISA and cash stocks & shares ISA in-year without this replacement counting towards their annual ISA subscription limit. These changes will commence from 6 April 2016.

Inheritance tax and the main residence nil-rate band

The government will introduce an additional nil-rate band when a residence is passed on death to direct descendants. This will be £100,000 in 2017-18, £125,000 in 2018-19, £150,000 in 2019-20, and £175,000 in 2020-21. It will then increase in line with CPI from 2021-22 onwards.

Any unused nil-rate band will be transferred to a surviving spouse/civil partner. This will also be available when a person downsizes or ceases to own a home on or after 8 July 2015 and assets of an equivalent value, up to the value of the additional nil-rate band, are passed on death to direct descendants. This will be the subject of a technical consultation and we will await further advice on the logistics of this.

There will also be a tapered withdrawal of the additional nil-rate band for estates with a net value of more than £2 million reducing by £1 for every £2 over this threshold.

https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/443245/6018_6019_6252_Inheritance_tax_-_Main_residence_nil-rate_band_and_the_existing_nil-rate_band.pdf

Pension Contributions

The Lifetime Allowance for pension contributions will be reduced from £1.25 million to £1 million from 6 April 2016. For those pension rights already over £1 million there will be transitional regulations introduced alongside this reduction to ensure the change is not retrospective. Lifetime Allowance will also be indexed annually in line with CPI from 6 April 2018.

<https://www.gov.uk/government/publications/pensions-technical-note-transitional-provisions-for-aligning-pension-input-periods>

Government will reduce the 45% tax rate that applies on lump sums paid from the pension of someone who dies aged 75 and over to the marginal rate of the recipient from 2016-17.

https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/443242/5013_Taxation_of_lump_sum_death_benefits.pdf

A restriction in the benefits of pension's tax relief for those with incomes above £150,000, including pension contributions, will be introduced. This will taper away their Annual Allowance to a minimum of £10,000 from April 2016.

https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/443255/6046_Pensions_tapered_annual_allowance.pdf

Capital Allowances

Annual Investment Allowance (AIA) will increase to the permanent level of £200,000 from £25,000 for all qualifying investment in plant and machinery made on or after 1 January 2016.

https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/442976/6014_Annual_Investment-Allowance_-_Permanent_increase_to_200000.pdf

Corporation Tax Rates

Corporation tax rate will reduce from 20% to 19% in 2017 and 18% in 2020.

https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/443260/6099_Corporation_tax_-_Corporation_tax_main_rate.pdf

Corporation Tax Relief for Goodwill Amortisation

Restrictions on the corporation tax relief a company may obtain for the cost of 'goodwill' (the reputation and customer relationships associated with a business) will affect all acquisitions and disposals on or after 8 July 2015.

https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/443244/5026_Corporation_tax_-_Restriction_of_CT_relief_for_business_goodwill_amortisation.pdf

Dividend Tax Credits

The Dividend Tax Credit of 10% will be abolished from April 2016. A new Dividend Tax Allowance of £5,000 per year will be introduced with new rates of tax on dividend income above the allowance being: 7.5% for basic rate taxpayers, 32.5% for higher rate taxpayers and 38.1% for additional rate taxpayers.

Overview:

https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/443285/HMRC_Summer_Budget_Overview_Version_4_0.pdf

<https://www.gov.uk/government/news/summer-budget-2015-key-announcements>

