

Spring Budget 2017 Update

15 March 2017

Note: This update was written on 15 March 2017. It is based on the government's proposals at that point in time which don't necessarily represent the final legislation. No action should be taken based on this update without taking proper advice.

INTRODUCTION

Many significant tax changes that come into effect from April 2017 were announced in the Budget and the Autumn Statement in 2016. These changes were generally confirmed with little alteration, and are covered by previous updates available on our website.

This update focuses on the new announcements made in Spring Budget 2017, which were very few in comparison.

NATIONAL INSURANCE FOR THE SELF-EMPLOYED

The main rate of Class 4 National Insurance Contributions (NICs) is currently 9%. It was announced that the rate will rise to 10% from 6 April 2018 and then to 11% from 6 April 2019. [NOTE - The government cancelled these rate increases shortly after the budget and after this update was originally written.]

Class 4 NICs are paid by individuals with self-employment profits. The main rate applies from the Lower Profits Limit (£8,164 for 2017/18, £8,060 for 2016/17) to the Upper Profits Limit (£45,000 for 2017/18, £43,000 for 2016/17). Above the Upper Profits Limit, the rate applied is 2%.

As previously announced, Class 2 NICs will be abolished from April 2018.

Class 2 NICs are paid by individuals with self-employment profits above the Small Profits Threshold (£6,025 for 2017/18, £5,965 for 2016/17) at a fixed rate of £2.85 per week for 2017/18 and £2.80 per week for 2016/17.

CASH BASIS FOR THE SELF-EMPLOYED AND LANDLORDS

The annual turnover threshold, below which self-employed individuals may use the cash basis of accounting, will increase from £83,000 to £150,000 from 6 April 2017. Additionally, landlords will be able to use the cash basis from 6 April 2017, with the same turnover threshold.

PERSONAL SERVICE COMPANIES

From 6 April 2017, individuals contracting with the public sector through a personal service company will be treated as an employee of the public sector engager. This means that the amount paid to the personal service company will be a deemed payment of employment income, and will be paid net of income tax and employee's Class 1 NICs. The engager will also be liable to employer's Class 1 NICs on the amount of the deemed salary.

DIVIDEND ALLOWANCE

The recently introduced dividend allowance will reduce from £5,000 to £2,000 from 6 April 2018. Dividends within this allowance are not subject to an income tax charge.

CONSULTATIONS

The government will consult on changes to:

- • The taxation of benefits in kind generally
- • Employer-provided accommodation benefits
- • Tax relief on employee expenses
- • Rent-a-room relief

Any changes will most likely be announced in the Autumn Budget 2017.

ISAS

The annual investment limit for ISAs will increase to £20,000 from 6 April 2017.

QUALIFYING RECOGNISED OVERSEAS PENSION SCHEMES

Transfers to QROPS will give rise to a 25% tax charge, unless the overseas pension scheme and the individual are resident in the same country at the time of transfer. This will prevent perceived abuse by UK resident individuals who are transferring their pension savings offshore to avoid UK tax on pension drawdown.

OFFSHORE PROPERTY DEVELOPERS

Finance Act 2016 introduced measures to bring all profits from trading in or developing land in the UK into charge to UK tax (either corporation tax or income tax). These measures did

not apply where the contracts for sale were entered into before 5 July 2016.

Legislation will be introduced in Finance Bill 2017 to the effect that all profits from dealing in or developing land in the UK that are recognised in the accounts on or after 8 March 2017 will be taxed. This will be the case even if the contract for disposal was entered into prior to 5 July 2016.

PROBATE FEES

Increases in fees for grant of probate were announced shortly before the Budget. Although it was not part of the Budget, and it is not strictly a tax, it is what some would call a "stealth tax". Currently the fee is £215, unless the estate is under £5,000. From May 2017, various levels of fees will be introduced. The largest increase will be for those with estates over £2 million, where the fee will be £20,000.

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