

Bridge, Chartered Accountants Budget 2017 Update



Welcome to our Budget update outlining the tax changes announced in the Spring 2017 Budget.

We hope that you find this update useful and remember, we are here to help you, so feel free to contact us if you would like further details on the topics below or would like to discuss how they impact on your personal situation.

Best wishes

Seamus and Lisa

PERSONAL ALLOWANCES

The basic personal allowance for 2017/18 will be £11,500. Remember that if your adjusted net income exceeds £100,000 the personal allowance is reduced by £1 for every £2 over £100,000 giving an effective rate of 60% on income between £100,000 and £123,000 for 2017/18. Contact us for advice on planning to avoid this 60% rate.

INCOME TAX BANDS

The 20% basic rate band for 2017/18 will be £33,500. This means that you will pay 40% tax if your taxable income exceeds £45,000 for 2017/18 tax year. The 45% top rate continues to apply to taxable income over £150,000 for 2017/18.

LOWER CORPORATION TAX RATES

Corporation tax will be reduced to 19% from 1st April 2017 and it was again reiterated that this rate will be reduced to 17% by 1 April 2020.

SMALL TRADING ALLOWANCES

A £1,000 allowance will be available for small property and trading income. However, by claiming this allowance, it will mean that the taxpayer will not be able to claim any other deduction against this income.

TAX FREE DIVIDENDS

All taxpayers are able to avail of a £5,000 tax free dividend allowance in the 2016/17 and 2017/18 tax years. In the Spring Budget it was announced that this will reduce to £2,000 from April 2018 and this could cost a basic rate taxpayer up to £225 per year and a higher rate taxpayer up to £975 per year in additional taxation.

CASH ACCOUNTING

From April 2017, the threshold for use of cash accounting increases to £150,000. This means that unincorporated businesses with turnover less than £150,000 can account for income and sales on a cash received basis. There will be different schemes of trading businesses, letting property business and those who are self-employed and claiming universal credit.

VAT THRESHOLDS

VAT registration threshold will increase to £85,000 and the deregistration threshold increases to £83,000. VAT rates remain unchanged.

There are changes to be introduced to the flat rate scheme in relation to 'limited cost businesses'. If you use the flat rate scheme and are concerned about the impact this may have on your business, please contact us for further information.

NATIONAL LIVING AND MINIMUM WAGE

The National Living wages for workers aged 25 and over has increased to a rate of £7.50 per hour from April 2017. The new National Minimum wage of £7.05 per hour will apply for those aged 21 to 24 and for those employees aged 18 to 20 the rate will be £5.60.

You should ensure that you review your payroll to ensure that you adjust all wages accordingly.

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NATIONAL INSURANCE CONTRIBUTIONS

The threshold for Class 1 National Insurance Contributions for the 2017/18 tax year remain unchanged for employees at a rate of 12% on income over £157 per week. Employers contributions have now come into line with the employees rate and will be payable on income over £157 a week at a rate of 13.8%.

A director can, therefore, still be paid an annual salary of up to £8,164 per annum without incurring a national insurance liability.

For those who have a self-employment also, Class 2 contributions have increased to £2.85 per week and Class 4 is payable at 9% on profits between £8,164 and £45,032 and at 2% over £45,032.

EMPLOYMENT TAXES

New rules are being introduced in respect of the using agency staff in the public sector (off-payroll labour under IR35) and also in relation to employee non-cash benefits that are provided by or connected with any form of salary sacrifice arrangement. Please contact us if you think you or your employees may be impacted by this

TAX FREE CHILDCARE

The tax free childcare system is due to be introduced on 28th April 2017 will allow working parents to claim up to £2,000 per child per year to help towards childcare. It will be set up by way of an online account and for every 80p the parents contribute, the Government will top this up by an extra 20p. To avail of this, parents must be earning less than £100,000 each per year and the children must be looked after by registered & approved childcare providers. For further information, please do not hesitate to contact us.

MAKING TAX DIGITAL

One of the main announcements in the budget was in relation to the introduction of Making Tax Digital (MTD).

This new method of reporting to HMRC will be introduced from April 2018 and we will be addressing this separately as it will introduce major changes in the way businesses keep records and report to HMRC.

We will update you as more details are released from HM Revenue & Customs.

RENTAL INCOME CHANGES

From April 2017, tax relief on interest charges for rental properties will begin to be restricted for higher rate taxpayers. This process will be introduced on a tapered basis over the next four tax years and will mean that by 2020/21 tax year only basic rate tax relief will be given for interest charges incurred

INHERITANCE TAX

Please contact us to discuss any inheritance issues or concerns you may have and we will be able to assist you with any tax planning you may require in this area.