BCA

Chartered
Management
Accountants

TAX FACTS 2016-2017

CONTENTS

Personal Tax

Main personal allowances

	2016/17	2015/16
Personal income tax allowance (PA)	£11,000	£10,600
Marriage allowance (transferable)	1,100	1,060
Blind person's allowance	2,290	2,290
Relief at 10% only:		
Married Couples Allowance (MCA)	8,355	8,355
Minimum MCA	3,220	3,220
Age-related allowance income limit	27,700	27,700
Dividend Tax Allowance (DTA)	5,000	N/A
Personal Savings Allowance (PSA)		
– Basic rate Taxpayer	1,000	N/A
– Higher rate Taxpayer	500	N/A
Rent-a-room exemption	7,500	4,250

Notes

1. PA is reduced by £1 for every £2 by which Adjusted Net Income (ANI) exceeds £100,000, so PA is nil when ANI is £122,000.
2. ANI is total taxable income less qualifying pension contributions and Gift Aid donations.
3. Marriage allowance is the transferable part of the PA and is available only to married couples and civil partners born after 5 April 1935. It can be transferred to their spouse or civil partner as long as the recipient is not taxed at more than 20%.
4. Married Couples Allowance (MCA) depends on age of older spouse and is reduced if marriage or civil partnership took place during the tax year.
5. MCA is reduced by £1 for every £2 by which ANI exceeds the age-related income limit, down to the minimum MCA of £3,220.
6. The DTA taxes the first £5,000 of dividend income at nil rather than the rate that would otherwise apply – see rates below.
7. The PSA taxes interest at nil, where it would otherwise be taxable at 20% or 40%.
8. The Rent-a-room exemption is available where the taxpayer lets out part of the home they live in as furnished residential accommodation.

Income tax bands

	2016/17	2015/16
Savings rate band	£5,000	£5,000
Basic rate band (BRB)	32,000	31,785
Higher rate band (HRB)	32,001-150,000	31,786-150,000
Additional rate	over 150,000	over 150,000

Notes

1. Savings band only applies to savings income. If taxable general income ('non-savings income') exceeds this band, the savings rate (see below) does not apply.
2. The BRB and additonal rate threshold are extended by the grossed-up equivalent of personal pension contributions or Gift Aid donations paid by the taxpayer in the tax year, or treated as paid in the tax year.
3. Taxable income uses up the rate bands in the following order:

Income tax rates

- **G** 'general income' (employment, pensions, business profits, rent)
- **S** 'savings income' (mainly interest)
- **D** 'dividends' (distributions from companies and most unit trusts)

	2016/17			2015/16		
Rates differ for:	G	S	D	G	S	D
Basic rate	20%	20%	7.5%	20%	20%	10%
Higher rate	40%	40%	32.5%	40%	40%	32.5%
Additional rate	45%	45%	38.1%	45%	45%	37.5%

Note

Dividends are taxed as the 'top slice' of income. For 2016/17, the dividend received is taxable. In 2015/16, the dividend received was grossed up by 100/90 to determine the taxable dividend. A non-repayable tax credit equal to 10% of the taxable amount was then deductible against the income tax liability on the taxable dividend.

Remittance basis charge

Resident in the UK for	2016/17	2015/16
7 of preceding 9 tax years	£30,000	£30,000
12 of preceding 14 tax years	60,000	60,000
17 of preceding 20 tax years	90,000	90,000

Note

The remittance basis charge (RBC) is payable by non-UK domiciled individuals who claim the remittance basis and who have been resident in the UK for the periods shown.

High Income Child Benefit charge (HICBC)

	2016/17	2015/16
Lower threshold	£50,000	£50,000
Upper threshold	60,000	60,000

Notes

1. Only applicable to families who receive child benefit, where adjusted net income of highest earner is above lower threshold.
2. HICBC is equivalent to 1% of child benefit received by the family, for every £100 of adjusted net income over lower threshold.
3. Highest earner in family must declare child benefit received by them or their partner on their tax return.
4. The recipient of child benefit can elect not to receive it in order to avoid the HICBC, without losing their right to accrue certain state benefits. Child benefit payments can subsequently be recommenced if the claimant chooses.

Pensions

Registered pensions

	2016/17	2015/16
Lifetime allowance (LA)	£1.00m	£1.25m
Annual allowance (AA) max	40,000	40,000
Annual Allowance -min	10,000	N/A
Money purchase Annual allowance (MPAA)	10,000	10,000

Notes

1. Contributions to registered pensions are paid net of basic rate tax. The policyholder pays 80% and HMRC pay 20%.
2. Tax relief at the taxpayer's marginal income tax rate is given on pension contributions up to 100% of earnings, capped by the annual allowance. Relief is given by increasing the basic rate band and higher rate threshold by the grossed-up amount of the contributions paid in the year.
3. Those with little or no UK relevant earnings can make pensions contributions up to £3,600 gross (£2,800 net) per year.
4. AA can be increased by unused allowance brought forward from the previous three tax years.
5. In 2016/17 AA is usually tapered down by £1 for every £2 of adjusted income over £150,000, to a minimum of £10,000.
6. Annual allowance charge is levied at the individual's marginal rate for contributions exceeding the annual allowance.
7. Employers can contribute to the employee's pension fund up to the AA per year, less any contributions made by the individual. Employer will enjoy tax relief on those contributions under the normal rules for business expenses.
8. Investors in personal and other defined contribution pension schemes can access all of their pension savings once they reach age 55.
9. When the investor takes benefits from the pension scheme, under flexi-access drawdown, up to 25% of the accumulated fund can be drawn as a tax-free lump sum. The balance is taxed at the investor's marginal rate of tax that applies in the year those benefits are drawn.
10. LA is measured as the capital value of the pension benefits at time pension benefits are first taken.
11. Lifetime allowance charge is 55% if funds exceeding the LA are taken as a lump sum, or 25% if the benefits are taken as income.
12. MPAA replaces AA where taxpayer has started to take taxable income from a defined contribution scheme.

State pension

Maximum amount per week	2016/17	2015/16
Single person	£119.30	£115.95
Married couple	190.80	185.45
Addition at age 80	0.25	0.25
New state pension	155.65	N/A

Notes

1. An individual is eligible to draw the state retirement pension when he or she reaches state pension age (SPA). This currently varies for men and women, but for younger people the SPA is gradually increasing to 68.
2. An individual who qualifies for the state pension may choose to defer claiming the pension. If the person defers for a period of 12 months or more, that person may opt to receive either the pension foregone as a lump sum or a higher pension.
3. The state pension is taxable, as is any lump sum received if the state pension is deferred.
4. Individuals who reach SPA on or after 6 April 2016 will receive a flat rate state pension. This will replace pension credit, the main state pension and second state pension.

Investment reliefs

Annual investment limits

	2016/17	2015/16
Individual Savings Account (ISA)	£15,240	£15,240
Junior ISA	4,080	4,080
Enterprise Investment Scheme (EIS)	1,000,000	1,000,000
Seed EIS (SEIS)	100,000	100,000
Venture Capital Trust (VCT)	200,000	200,000
Social Investment Tax Relief (SITR)	1,000,000	1,000,000

Notes

1. ISA investors can invest in any combination of cash or shares up to the limits shown.
2. Junior ISA is available to UK residents aged under 18 and who don't have a Child Trust Fund account. When the holder reaches age 18, their junior ISA becomes an adult ISA.
3. EIS, VCT and SITR investments made within the limits shown attract 30% Income Tax relief, but those schemes all have different qualifying rules.
4. SEIS investments attract 50% Income Tax relief.
5. Where the disposal proceeds from any capital gain are reinvested under EIS or SITR in the four-year period that starts one year before the date of the gain, all or part of the original gain can be deferred.
6. Gains reinvested under SEIS up to the investment limit attract 50% exemption from CGT.
7. Investments made under EIS, SEIS and SITR can be carried back to be treated as made in the previous tax year, subject to the investment limits.
8. Disposals of investments acquired under EIS, SEIS, SITR or VCT are exempt from CGT if investment conditions have not been broken.

National Insurance Contributions (NIC)

Class 1 NIC thresholds 2016/17

	week	month	year
Lower earnings limit (LEL)	£112	£486	£5,824
Primary threshold (PT)	155	672	8,060
Secondary threshold (ST)	156	676	8,112
Upper secondary threshold (UST)	827	3,583	43,000
Upper earnings limit (UEL)	827	3,583	43,000

Notes

1. No NIC are payable by employee or employer on earnings up to the PT (employees) or ST (employer).
2. No employee NIC are payable once the employee reaches state retirement age, but employer NIC continue to be payable.
3. No employer NIC are payable on earnings up to the UST for employees aged under 21, or apprentices aged under 25, at the date of the payment.
4. No employee NIC are payable on earnings between the LEL and the PT, but when reported by the employer, the employee receives credit towards the State Pension.

Class 1 NIC rates 2016/17

	Employee	Employer
PT/ST to UEL	12%	13.8%
Above the UEL	2%	13.8%

Notes

1. Employers and employees both contribute at rates dependent on the level of earnings during a weekly, monthly or annual earnings period.
2. A person with more than one employment can defer the payment of some employee NIC until after the end of the tax year. The total amount payable is then checked and limited so the full 12% rate is only applied to income between the PT and the UEL.
3. An 'employment allowance' of £3,000 per qualifying business gives exemption from Class 1 Employer NIC. Some businesses are excluded, including certain sole director companies. Employee NIC is unaffected.

Class 2 NIC

Rates per week	2016/17	2015/16
Flat rate	£2.80	£2.80
Share fisherman	3.45	3.45
Volunteer development workers	5.60	5.60
Annual small profits threshold (SPT)	5,965	5,965

Notes

1. Self-employed people pay Class 2 NIC on their profits that exceed the SPT.
2. From 2015/16 both Class 2 and Class 4 NIC are collected through self-assessment.

Class 3 & Class 3A NIC

Rate per week	2016/17	2015/16
Class 3 flat rate	£14.10	£14.10

Notes

1. Anyone not in work who wants to maintain State Pension rights may pay voluntary Class 3 NIC.
2. Individuals who reach State Pension age before 6 April 2016 can top-up the amount of their State Pension by up to £25 per week by paying voluntary Class 3A NIC in the period 12 October 2015 to 5 April 2017.
3. The amount of Class 3A NIC required to buy an extra £1 per week of State Pension varies according to the payer's age.

Class 4 NIC

Annual	2016/17	2015/16
Lower profits limit	£8,060	£8,060
Upper profits limit	43,000	42,385
Main rate	9.0%	9.0%
Additional rate	2.0%	2.0%

Notes

1. Class 4 NIC are payable on profits from UK trades or professions that exceed the lower profits limit and are chargeable to Income Tax.
2. The additional rate is payable on profits that exceed the upper profits limit.
3. An individual who is both employed and self-employed may pay Class 1, Class 2 and Class 4 NIC, subject to the maximum limit for the year.

Employee Benefits

Car benefit

2016/17	Percentage of chargeable value	
CO_2 emissions g/km	Petrol	Diesel
0-50	7%	10%
51-75	11%	14%
76-94	15%	18%
Above 94	Add 1% for every 5g/km	
Above 200 (petrol)/185 (diesel)	37%	37%

Notes

1. Where the car is provided by the employer, the employee is taxed on the 'cash equivalent' calculated as a percentage (based on its CO_2 emissions) of the vehicle's chargeable value.
2. The chargeable value is the vehicle's list price when new plus the cost of most accessories added, less any capital contribution of up to £5,000 from employee.
3. The employer must also pay Class 1A NIC at 13.8% on the cash equivalent amount of the benefit.

Car fuel benefit

	2016/17	2015/16
Benefit multiplier	£22,200	£22,100

Notes

1. Where fuel is provided by the employer for private use in a company car, the percentage used to calculate the car benefit is applied to the benefit multiplier in order to determine the taxable benefit.
2. The benefit is charged without reduction for contributions by the employee unless all private fuel is paid for within the tax year for which it is provided.
3. Where the employer provides the car and the employee provides the fuel, HMRC's advisory fuel mileage rates can be used to reimburse the cost of fuel used on business journeys. Those rates are updated each quarter and published at www.gov.uk/government/publications/advisory-fuel-rates.

Van benefits

	2016/17	2015/16
Ordinary van	£3,170	£3,150
Zero emissions van	634	630
Fuel benefit	598	594

Note

If the private use of a van is restricted to home-to-work travel, there is no tax charge, unlike for company cars.

Employment-related loans

	2016/17	2015/16
Official interest rate	3%	3%

Notes

1. Where the total amount loaned to the employee exceeds £10,000 at any point in the tax year, the cash equivalent benefit is the excess of the official rate over any interest actually paid by the employee to the employer, provided there is a contractual agreement to pay that interest.
2. Loans from a close company to directors or shareholders of the company may also generate a tax charge for the company.

Tax-free mileage allowances

Employee's own transport	per business mile
Cars, first 10,000 miles	45p
Cars, over 10,000 miles	25p
Business passengers	5p
Motorcycle	24p
Bicycle	20p

Notes

1. Passenger must be completing the same business journey.
2. For all except the business passengers allowance, if the employer does not pay the full mileage rate, the employee can claim tax relief on any shortfall from HMRC.

Childcare vouchers

Weekly exempt amount	2016/17	2015/16
Basic rate taxpayer	£55	£55
Higher rate taxpayer	28	28
Additional rate taxpayer	25	25

Note

Employees who joined the employer-provided childcare voucher scheme before 6 April 2011, and are still employed by that employer, continue to receive a benefit of £55 per week, whatever their marginal rate of tax.

Main exempt benefits

Benefit item	Limit of exemption
Mobile phone	One per employee
Subsidised meals	For all employees in a staff canteen
Works buses	Must be used only or substantially by employees or their children
Bicycles and safety equipment	Loaned to employee
Pension contributions	Annual allowance (see Investment Reliefs)
Personal incidental expenses when staying away from home	£5 per night, £10 if abroad
Qualifying medical treatment	£500 per employee per tax year
Eye test and spectacles or lenses	Required solely for VDU use
Health screening or medical check-up	One screening per tax year
Overseas medical treatment	When working abroad
Relocation expenses	£8,000 per employee per move

Notes

1. Many employee benefits are not charged to tax; the principal ones are listed above.
2. The medical treatment must be recommended by an occupational health service and must be provided to help the employee return to work.

Employee share schemes

Type of share scheme	Tax advantages
Share Incentive Plan (SIP)	
Free shares worth up to £3,600pa. Employee can buy up to £1,800pa out of pre-tax pay. Employer can match bought shares with up to two more.	If shares left in the scheme for at least five years: no Income Tax or CGT on the value when they leave the scheme.
Enterprise management incentive (EMI)	
Trading companies with fewer than 250 employees can grant options to selected employees to buy up to £250,000 worth of shares.	No Income Tax or NIC if option is exercised within ten years of option grant. Shares qualify for 10% rate of CGT on disposal if grant is at least one year before disposal.
Company share option plan (CSOP)	
Share options to buy up to £30,000 of shares can be granted to employees.	No Income Tax or NIC if option is exercised between three and ten years of grant. Gains on disposal are subject to CGT.
Save as you earn (SAYE)	
Employees contribute up to £500 a month to a savings scheme, and use money to exercise share options.	No Income Tax or NIC if option is exercised three years or more after the grant of option. Gains on disposal are subject to CGT.
Employee shareholder status	
Worker surrenders certain employment rights in exchange for shares in employing company worth £2,000 or more.	First £2,000 worth of shares are free of Income Tax and NIC. Shares worth up to £50,000 on acquisition are free of CGT on disposal, subject to a limit of £100,000 of exempt gains made on the disposal of shares acquired under Employee Shareholder Agreements entered into on/after 16 March 2016.

Notes

1. Generally, employees are charged to Income Tax on the value of shares that they are given or are issued to them by their employer, less any amount paid for the shares. NIC are also charged if the company is quoted, or the shares can be easily sold. If the employer operates one of the above tax-advantage schemes, the tax charges may be eliminated, reduced or deferred.
2. The employer must register the share scheme with HMRC, using the online ERS system, by 6 July following the end of the tax year in which the scheme is implemented.
3. Employers must file an annual return for each share scheme online through ERS by 6 July each year.
4. An automatic penalty of £100 applies for late submission of an annual share scheme return. Additional penalties of £300 apply on 7 October and 7 January if the annual return is still not filed by those dates. Further penalties of £10 per day apply from 7 April onwards.
5. The above is a very brief summary of the main tax advantaged share schemes; other conditions apply.

Capital Gains Tax

Annual exemption

	2016/17	2015/16
Individuals and deceased estates	£11,100	£11,100
Most trusts	5,550	5,550

Notes

1. Each individual is entitled to an annual exemption, but that exemption may be denied if he claims the remittance basis (see Personal Taxation).
2. The annual exemption cannot be transferred or carried forward or back to another tax year.

Tax rate

	2016/17		2015/16
	Residential property	Other	
Individuals			
– to limit of basic rate band	18%	10%	18%
– above basic rate band	28%	20%	28%
Trusts and deceased estates	28%	20%	28%

Notes

1. CGT is payable on capital gains made in the tax year, after deduction of capital losses, available reliefs and the annual exemption.
2. In 2016/17, receipts of carried interest by venture capital investors are taxed at the same rates as residential property.
3. When a chargeable asset is given away, the donor is treated as receiving the full market value and is liable for CGT accordingly.
4. There is no charge on disposals between spouses or registered civil partners who are living together. On such disposals, the transferee takes over the transferor's CGT cost.
5. There is no CGT on gains accrued to the date of a taxpayer's death. Instead, the value of the estate may be subject to Inheritance Tax (see page 18).

Entrepreneurs' Relief (ER)

	2016/17	2015/16
Lifetime limit	£10m	£10m
CGT on qualifying disposals	10%	10%

Notes

1. Disposals made by individual or certain trustees can qualify for ER.
2. The asset disposed of must have been owned for at least a year and be one of:
   - a business or an interest in a business
   - business assets sold within three years of the business ceasing
   - shares in a trading company of which the individual is an officer or employee and holds at least 5% of the ordinary share capital, or acquired the shares under an EMI scheme
   - assets used by the shareholder's personal company or partnership and sold at around the same time as 5% or more of the company's shares or partnership interest

Other CGT reliefs

Asset	Conditions
Taxpayer's only or main home	Gain is exempt for the periods the taxpayer lives there, or is deemed to live there, plus the last 18 months of ownership.
Chattels (tangible movable property)	If bought and sold for less than £6,000.
Gifts to charity	Not charged to CGT, and gifts of quoted shares and land also enjoy an income tax relief.
Assets which become of negligible value	Deemed to be sold at nil, to create loss, when an election is made.

Corporation Tax (CT)

Rates

From	1.4.2016	1.4.2015
Corporation Tax rate	20%	20%

Notes

1. Most companies must pay their Corporation Tax nine months and a day after the end of the accounting period.
2. Large companies or groups generally make four quarterly payments on account of Corporation Tax, starting in the seventh month after the start of a 12-month accounting period. The payment is made on the 14th day of the relevant month, with interest running on any balance due until final settlement of the period's liability.
3. All companies must file Corporation Tax returns online 12 months after the end of the accounting period.

Research and Development

Effective from	1.4.2016	1.4.2015
SME enhanced deduction	130%	130%
Large company enhanced deduction	N/A	30%
Large company above the line credit (RDEC)	11%	11%

Notes

1. The above enhanced deductions are for qualifying revenue expenditure on qualifying R&D projects; various conditions apply to both.
2. Where an SME makes a loss it can surrender that loss for payable tax credit worth 14.5% of loss.
3. RDEC is a taxable expenditure credit for qualifying R&D. Prior to 1 April 2016 large companies had a choice of claiming RDEC or 30% enhanced deduction.

Special reliefs

Area	Relief
Intangible assets: goodwill, know-how and patent rights	Deduction given according to depreciation in the accounts, unless the circumstances in Note 1 below apply.
Patent income	Reduced rate of CT down to 10%.
Shares held for at least 12 months in other trading companies	No gains on disposal if at least 10% of company's share capital held.
Creative industries producing: films, high-end or children's TV programmes, video games or theatre productions	Enhanced deductions for certain expenditure and losses surrendered for payable tax credits.

Notes

1. Restrictions apply to any goodwill acquired from 8.7.2015 and to goodwill on incorporation from 3.12.2014.
2. The above is a brief summary of selected reliefs available to companies; other conditions apply.

Business Tax

Cash basis

	1.4.2016	1.4.2015
Entry threshold – turnover up to:	£83,000	£82,000
Exit threshold – turnover not more than:	166,000	164,000

Notes

1. Unincorporated businesses with annual turnover within the above limits can choose to calculate taxable profits on the 'cash basis' – income received and expenditure paid, rather than invoiced or accrued.
2. Deduction for loan interest is limited to £500 per year.
3. Losses can only be carried forward.
4. Certain businesses are not permitted to use the cash basis, including: farmers using the herd basis, persons using profit averaging, and LLPs.

Flat rate deductions

Item used for business		Permitted deduction
Taxpayer's car or goods vehicle	Up to 10,000 miles pa	45p/mile
	Over 10,000 miles pa	25p/mile
Taxpayer's home (use per month)	25 - 50 hours	£10/month
	51 - 100 hours	£18/month
	101 hours or more	£26/month
Business premises partly used as home		Private use adjustment
(e.g. public house or B&B)	1 occupant	£350/month
	2 occupants	£500/month
	3 or more occupants	£650/month

Notes overleaf

Notes

1. Unincorporated businesses can choose the above fixed rate deductions to use instead of calculating the business proportion of actual expenditure.
2. Use of home deduction covers power, internet, telephone, but not council tax or mortgage interest.
3. Use of vehicle does not cover finance element of lease or hire purchase costs for vehicle.
4. Use of business premises amounts are deducted from the actual expenses of running the building so that the personal costs of resident business owners are excluded.

Capital allowances

Plant and machinery

Period of expenditure	From 1.1.2016	1.4.2014 to 31.12.15
Annual Investment Allowance 100%	£200,000	£500,000
Energy/water-efficient technologies	100%	100%
Writing down allowance – general pool	18%	18%
Writing down allowance – special rate pool	8%	8%

Notes

1. Neither capital expenditure nor depreciation is generally allowed as an expense.
2. The writing down allowance spreads the cost over several years, and is not related to the accounting depreciation.
3. Transitional rules apply where a period of account straddles the change of the Annual Investment Allowance limit.
4. Special rate pool includes long life assets, plant integral to buildings and thermal insulation.

Motor cars

CO_2 emissions of vehicle (g/km)	1.4.2016	1.4.2015
Up to 75	100%	100%
Up to 130 (in general pool)	18% pa	18% pa
Over 130 (in special rate pool)	8% pa	8% pa

Notes

1. For the 100% allowance the car must be acquired new, not second hand.
2. The 8% allowance applies to cars with emissions over 160g/km that were purchased before April 2013.
3. Unincorporated businesses: the allowance is reduced for private use of the car.

Property Taxes

Annual Tax on Enveloped Dwellings (ATED)

	Annual charge to	
Property value	31.3.2017	31.3.2016
£0.5m - £1m	£3,500	Nil
£1m - £2m	7,000	£7,000
£2m - £5m	23,350	23,350
£5m - £10m	54,450	54,450
£10m - £20m	109,050	109,050
£20m +	218,200	218,200

Notes

1. The ATED applies to residential properties owned via a corporate structure, unless the property is used for a qualifying purpose.
2. There are many reliefs that can remove or reduce the charge, but in order to claim a relief, an ATED return must be submitted.
3. The ATED return and tax due must generally reach HMRC by 30 April within the relevant year.

Stamp Duty Land Tax (SDLT)

Residential property

Purchase price	Rate on band
Up to £125,000	Nil
£125,001 - £250,000	2%
£250,001 - £925,000	5%
£925,001 - £1.5m	10%
£1.5m +	12%

Notes

1. From 1 April 2016 a supplement of 3% of the total purchase price applies where a second home is purchased for more than £40,000.
2. Where purchaser is a company or partnership including a corporate member and price is over £500,000, SDLT is 15% on total purchase price if exemptions or reliefs do not apply.
3. New leases with a net present value of rents exceeding £125,000 attract SDLT of 1% of that excess.

Commercial property

Purchase price for freehold	Rate on band
Up to £150,000	Nil
Between £150,001 and £250,000	2%
£250,000 +	5%

Net present value of rent for lease	Rate on band
Up to £150,000	Nil
Between £150,001 and £5,000,000	1%
£5,000,000 +	2%

Land and Buildings Transaction Tax (LBTT)

Residential property

Purchase price	Rate on band
Up to £145,000	Nil
£145,001 - £250,000	2%
£250,001 - £325,000	5%
£325,001 - £750,000	10%
£750,000 +	12%

Notes

1. In Scotland LBTT replaced SDLT for purchases from 1 April 2015.
2. From 1 April 2016 a supplement of 3% of the total purchase price applies where a second home is purchased for more than £40,000.

Commercial property

Purchase price	Rate on band
Up to £150,000	Nil
£150,001 - £350,000	3%
£350,000 +	4.5%

Notes

1. The above rates of LBTT also apply to any lease premium on commercial properties.
2. Leases with an NPV of rents exceeding £150,000 attract LBTT of 1%.

Value Added Tax

VAT rates

	VAT rate	VAT fraction
Standard rate	20%	1/6
Lower or reduced rate	5%	1/21
Zero rate	0%	–

Notes

1. Lower rate applies to a small range of supplies, including domestic fuel and power and some conversions of residential property.
2. Zero rate applies to a range of supplies, including most food, hard-copy books and newspapers (not electronic), new houses and children’s clothes.
3. Exempt supplies include many land-related supplies, insurance, finance, education, health and welfare, and non-profit sports clubs. No VAT is charged to the customer, but the supplier can’t recover VAT on costs.

VAT thresholds

From	1.4.2016	1.4.2015
Registration – turnover for last 12 months	£83,000	£82,000
Deregistration – turnover next 12 months	81,000	80,000

Notes

1. An unregistered business must register for VAT if it has made taxable supplies that equal or exceed the registration threshold in the last 12 months, up to any month end, or if it expects to exceed that threshold in the next 30 days alone. Taxable supplies include reduced rate and zero-rated sales.
2. A VAT-registered business can apply to deregister if it can satisfy HMRC that taxable supplies in the next year will not exceed the deregistration threshold.
3. Most VAT returns are prepared for three-month periods, and must be filed electronically within seven days of the end of the month following the return period.
4. Payment of VAT must be made electronically, and must be received by HMRC by the same deadline as the return or be paid by direct debit.
5. If you supply automated digital or broadcasting services to non-businesses in other EU countries, you must charge VAT at the rate that applies where the customer belongs. The overseas VAT must be charged on any amount of sales, even if you are not VAT-registered in the UK.
6. To charge overseas VAT you must either register for VAT in the customer's country or register through HMRC's VAT-MOSS system.

Small business schemes

Annual turnover	Joining	Leaving
Flat-rate scheme (FRS)	£150,000	£230,000
Annual accounting	1,350,000	1,600,000
Cash accounting	1,350,000	1,600,000

Notes

1. When using FRS, the VAT paid to HMRC by the business is a fixed percentage (based on business category) of 'FRS turnover' rather than the net of output tax over input tax.
2. Businesses in first year of VAT registration are entitled to a 1% discount on the normal FRS percentage for their business category.
3. Under FRS input VAT is not recoverable, unless it relates to the purchase of an asset costing £2,000 or more (including VAT).
4. Under annual accounting the business files a single VAT return each year instead of one every three months.
5. When using the cash accounting scheme the business only pays VAT to HMRC when its customers have paid the business, but it can only recover VAT on expenses actually paid for, rather than accrued.

Inheritance Tax

Rates and thresholds

From	2016/17	2015/16
Nil rate band	£325,000	£325,000
Tax paid on legacies on death	40%	40%
Tax paid if at least 10% of net estate is left to charity on death	36%	36%
Gifts made up to seven years before death (see lifetime gifts)	40%	40%
Lifetime transfers to most trusts (note 5)	20%	20%

Notes

1. Up to 100% of the proportion of a deceased spouse's/civil partner's unused nil rate band may be claimed to increment the current nil rate band when the survivor dies.
2. Gifts or legacies to charities are not charged to IHT.
3. If the donor pays the IHT due on a lifetime gift the effective rate is 25%.
4. IHT due on a deceased's estate and on gifts within seven years of death is generally due six months after the month of death, but in practice it must be paid before probate is granted.
5. IHT on chargeable lifetime transfers to trusts is payable on the later of six months after the month of transfer, or 30 April in the next tax year.

Lifetime gifts

Reduced tax charge on gifts up to seven years before death

Years before death	0 - 3	3 - 4	4 - 5	5 - 6	6 - 7
Percentage of IHT death charge payable	100%	80%	60%	40%	20%

Note

Lifetime gifts between individuals ('potentially exempt transfers') are only charged to IHT if the donor dies within seven years of the gift.

Exempt gifts

Amount of relief	Conditions
£3,000 per tax year	Amount per donor; unused exemption can can be carried forward one year
£250 per tax year	De minimis amount per recipient
Unlimited	Regular gifts out of surplus income
Unlimited	To UK domiciled spouse or civil partner
£325,000	To non-domiciled spouse/civil partner
£5,000	From parent of party to marriage (see note)
£2,500	From party to marriage or from remoter ancestor (see note)
£1,000	From any other person (see note)

Note

Must be made to one or both parties to a marriage in consideration of that marriage. These rules apply equally to those entering a civil partnership.

Business and agricultural property

Amount of relief	Property and conditions
100%	All shareholdings in unquoted trading companies, an unincorporated business or interest in such a business
50%	Controlling shareholding in quoted company, land and buildings used by transferor's company or partnership
100%	Agricultural value of qualifying farmland and buildings

Note

In all cases the property must have been owned for at least two years, and other conditions apply.

Trusts

Tax rates

Type of trust	2016/17 Life interest	Discretionary
Rate on dividend income	7.5%	38.1%
Rate on other income	20%	45%
CGT rate on residential property	28%	28%
CGT rate on other gains	20%	20%
CGT annual exemption	£5,550	£5,550

Notes

1. Trustees are liable to Income Tax on the trust income, CGT on the trust gains and IHT in some circumstances.
2. Discretionary trusts pay tax at 7.5% or 20% on income used to pay trust expenses and on another £1,000 of income, before paying at the main rates.
3. Discretionary trusts for vulnerable beneficiaries (such as disabled people) may reduce their effective tax rates if an election is made.
4. The CGT annual exemption is divided between trusts established by the same settlor since 6.6.1978, to a minimum of £1,110.
5. Trustees are liable to pay IHT in a variety of circumstances; appropriate professional advice is essential.
6. Beneficiaries of life interest trusts ('liferent' trusts in Scotland) are treated as entitled to the income of the trustees, and pay tax on it in the year it arises to the trust, with a credit for tax paid by the trustees.
7. Beneficiaries of discretionary trusts pay tax on income distributed to them by the trustees, which is treated as paid with a tax credit of $^{9}/_{11}$ of the cash received.

Key deadlines

Payment deadlines

Self assessment		2016/17	2015/16
1st payment on account	31 January	2017	2016
2nd payment on account	31 July	2017	2016
Balancing payment	31 January	2018	2017
Capital Gains Tax	31 January	2018	2017
National insurance			
Class 1A NIC	19 July	2017	2016
Class 1B NIC	19 October	2017	2016

Notes

1. Payments on account for 2016/17 are based on 2015/16 self-assessed Income Tax and Class 4 NIC.
2. Employment income is charged to both Income Tax and to Class 1 NIC.
3. Tax and NIC are normally paid by the employer through the PAYE system, under which the PAYE code makes adjustments for tax reliefs due and some tax due on other income.
4. An employee who has overpaid or underpaid tax at the end of the year will normally receive a tax calculation from HMRC on form P800 and shortly afterwards receive a tax repayment, or be asked to pay any tax due.
6. If the tax underpaid is no more than £3,000, the underpayment can be settled through PAYE in the following tax year.
7. Missing any payment dates leads to interest being charged at 3%.
8. Missing the balancing payment date by 30 days will lead to a 5% penalty.
9. When the balancing payment is six or 12 months late further 5% penalties apply.

Filing deadlines

For tax year	2015/16
Issue P60s to employees	31 May 2016
File P9(D), P11D and P11D(b)	6 July 2016
Paper version of self-assessment return	31 October 2016
Online self-assessment return	31 January 2017

Notes

1. Where taxpayers submit the 2015/16 self-assessment tax return by 30 December 2016 they can request that underpaid tax, within limits, is collected through PAYE code in the following tax year.
2. A late filing penalty of £100 will be issued if the self-assessment return is not submitted within the deadlines indicated above. This applies even if no tax is due.
3. Further late filing penalties are due if the self-assessment return is more than three, six or 12 months late.

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