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A guide to Budget 2017

A SIMPLE GUIDE TO THE BUDGET 2017

This is a basic guide, prepared by ACCA's Technical Advisory team, for members and their colleagues or clients. It is an introduction only and should not be used as a definitive guide, since individual circumstances may vary. Specific advice should be obtained, where necessary.

A stronger, fairer, better Britain were the themes of the Budget. You can read the individual measures below.

Rates and allowances

	2016/17	2017/18
	£	£
Income tax rates - (non-dividend income)		
0% lower rate tax - savings rate only	Up to 5,000	Up to 5,000
20% basic rate tax	11,001 to 43,000	11,500 to 45,000
40% higher rate tax	43,001 - 150,000	45,001 - 150,000
45% additional rate tax	Above £150,000	Above £150,000
Scottish Income tax rates - (non-dividend income)		
0% lower rate tax - savings rate only	Up to 5,000	Up to 5,000
20% basic rate tax	11,001 to 43,000	11,500 to 43,000
40% higher rate tax	43,001 - 150,000	43,001 - 150,000
45% additional rate tax	Above £150,000	Above £150,000
Personal allowance		
Personal allowance	11,000	11,500

Marriage allowance

This applies from 6 April and allows for the transfer of £1,150 of a personal allowance to a spouse or partner

Self-employed National Insurance Contribution

On 15 March 2017 the Chancellor announced that the changes outlined during his Budget will no longer be going ahead.

Dividend Allowance

The tax-free dividend allowance was introduced from April 2016 so that the first £5,000 of dividend income would be tax free.

The tax-free dividend allowance will be reduced from £5,000 to £2,000 from April 2018.

Corporation tax

The corporation tax rate will be reduced from 20% to 19% for the 2017/18 tax year and to 17% by 2020.

Limited Company accounts format

A new format for Limited Company accounts has been introduced for accounting years that commence on or after 1st January 2016. Accounts produced using the new format will look slightly different, with less disclosure requirements than in previous years. We will continue to produce a detailed profit and loss account as part of the financial statements, although this is not now formally required.

Annual Investment Allowance

The annual investment allowance of £200,000 per annum remains available for companies and for unincorporated businesses.

Making tax digital- rollout beginning April 2018; however for unincorporated businesses with a turnover below the VAT registration threshold there would be a delay of one year to the introduction of quarterly reporting.

UK Deemed Domicile

Individuals who are not domiciled in the UK will be deemed to be UK domiciled for tax purposes if they are either resident in the UK for 15 of the past 20 tax years, or if they are born in the UK with a UK domicile of origin and return to the UK having obtained a domicile of choice elsewhere

VAT

	2016/17	2017/18
	£	£
VAT		
Standard rate	20%	20%
Registration threshold	83,000	85,000
Deregistration threshold	81,000	83,000

Relief from business rates increases

The Chancellor has announced funding of £435 million to support small businesses affected by the business rates relief revaluation. The help comes in the form of a standard cap on the actual increases and also discretionary relief from local authorities.

ATED

From 1 April 2015 the annual charges for the annual tax on enveloped dwellings (ATED) will be increased by 50% above inflation (Consumer Prices Index).

	2016/17	2017/18
	£	£
Annual Tax on Enveloped Dwellings (ATED)		
More than £0.5m but not more than £1m	3,500	3,500
More than £1m but not more than £2m	7,000	7,050
More than £2m but not more than £5m	23,350	23,550
More than £5m but not more than £10m	54,450	54,950
More than £10m but not more than £20m	109,050	110,100
More than £20m	218,200	220,350

Audit threshold to increase for small co-operatives

The government will bring forward legislation to increase the turnover threshold for which co-operatives are required to conduct a full audit from £5.6 million to £10.2 million, and the assets threshold from £2.8 million to £5.1 million. This will align the thresholds of co-operatives with those of companies.

The Income Tax reliefs and Capital Gain Tax exemption

With effect from 1 December 2016 income tax relief and capital gain tax exemption will no longer be available on any shares acquired in consideration of an employee shareholder agreement entered into on or after that date.

IR35 and public sector

Where a public sector organisation engages an off-payroll worker through their own limited company, that organisation (or the recruitment agency where the worker is engaged through that agency) will become responsible for determining whether the rules should apply, and, if so, for paying the right tax and NICs.

Tax Avoidance

The government will introduce a new penalty for a person who has enabled another person or business to use a tax avoidance arrangement that is later defeated by HMRC.

NS&I Investment Bond final rate of 2.2% over a term of three years

The Budget confirms the rate on the NS&I Investment Bond announced at Autumn Statement 2016 will offer a market-leading rate of 2.2% over a term of three years and will be available for 12 months from April 2017. The Bond will be open to everyone aged 16 and over, subject to a minimum investment limit of £100 and a maximum investment limit of £3,000.

Increase in Individual Savings Accounts (ISA) limits

From 6 April 2017; the annual ISA allowance will increase from £15,240 to £20,000.

LISA

A new savings product called LISA (Lifetime ISA) is available. It is designed to help young people save flexibly for the long-term throughout their lives receive a bonus of up to £1,000pa.

IHT

The Nil-rate band remains at £325,000. The residence nil-rate band for deaths in the following tax years will be:

- £100,000 in 2017 to 2018
- £125,000 in 2018 to 2019
- £150,000 in 2019 to 2020
- £175,000 in 2020 to 2021

Changes to the VAT flat rate scheme

From April 2017, if affected, businesses will need to apply a new, higher flat rate percentage. This could potentially make the flat rate scheme much more expensive and may even mean a switch to another method of VAT calculation.

Restrictions on the tax deductibility of interest

Companies and groups that have at least £2 million of net interest per year will face restrictions on the amount they can claim against tax. The measure comes in from April 2017 and is calculated using a ratio based on the results of the business.

IHT and Non-domicile

As of 6 April 2017 the changes to the IHT rules apply which ensure that non-doms cannot hold a UK property indirectly through an offshore company. From April 2017, the deemed domicile rule will be modified in two key respects:

- the 17 year rule will become the '15 year rule'; and
- this rule will apply for all UK tax purposes, and not just IHT.

Interest relief for landlords

Landlords will be able to obtain relief as follows:

	Finance cost allowed in full	Finance cost allowed at basic rate
Year to 5 April 2016	100%	0%
Year to 5 April 2017	100%	0%
Year to 5 April 2018	75%	25%
Year to 5 April 2019	50%	50%
Year to 5 April 2020	25%	75%
Year to 5 April 2021	0%	100%

Apprenticeships

All apprenticeships will be funded according to the new rules. A non-levy paying employer will need to co-invest 10% and will benefit from government funding to cover the remaining 90% of the cost.

Cash accounting

Unincorporated property businesses (other than Limited Liability partnerships, trusts, partnerships with corporate partners or those with receipts of more than £150,000) will by default calculate their taxable profits using a cash basis of accounting.

Cash accounting

The trading cash basis thresholds for unincorporated businesses is increased to £150,000.

ACCA LEGAL NOTICE

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