

Umesh Modi

Spring budget 2017

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Personal tax

- From 6 April 2017, personal allowances will increase for people born after 5 April 1938 to £11,500.
- From 6 April 2017:
 - ▶ There will be no tax on the first £5,000 of dividends received. This allowance will reduce to £2,000 from 6 April 2018.
 - ▶ For dividend above £5,000 new rates of tax on dividend income will be 7.5% for basic rate taxpayers, 32.5% for higher rate taxpayers and 38.1% for additional taxpayers.
- From 6 April 2017 additional tax rates are 40% for income between £45,000.00 and £150,000.00 and 45%, beyond this.
- From 6 April 2017, the basic rate limit will increase to £33,500 and the higher rate threshold will therefore rise to £45,000 for those entitled to the full personal allowance.

Pension and Savings

- Personal savings allowance will remain the same for basic rate tax payer at £1,000 and for higher rate tax payer at £500.
- Lifetime ISA will continue to be available for adults under the age of 40. Individuals will be able to contribute up to £4,000 per year and receive a 25% bonus from the government. Funds can be used to buy a first home and those wishing to save for their retirement. Funds can be withdrawn from age 60 completely tax-free.
- From 6 April 2017 Adult NISA annual investment limit will increase from £15,240 to £20,000.
- From 6 April 2017 the Pension scheme lifetime allowance will remain at £1 million but will be indexed annually in line with

inflation. Unprotected pension pots exceeding £1 million will be subject to a 55% tax rate.

- From 9 March 2017, those who transfer pensions offshore will face a tax charge of 25%.

Inheritance tax

- No change to 40% and 36% death rates or 20% chargeable lifetime transfers rate. Nil rate band of £325,000 remains unchanged.
- As previously announced, IHT residence nil-rate band of £100,000 comes into effect from 6th April 2017. This will eventually rise to £175,000 by 2020/21.

Capital gains tax

- Capital Gains Tax rates remain at 20% for top rate taxpayers and 10% for basic rate tax payer.
- The 28% and 20% tax rate will continue to apply for carried interest and for chargeable gains on residential property that do not qualify for private resident relief.
- The Entrepreneurs' Relief remains at 10% with a lifetime limit of £10 million for each individual.
- The annual exemption limit increases from the current £11,100 to £11,300.

Business tax (self-employed, LLP, partnerships and companies)

- Effective from 1 April 2017 for companies and 6 April 2017 for unincorporated businesses
- The Annual Investment Allowance remains at £200,000.
 - The wear and tear allowance is now reformed and Landlords will be able to deduct the actual costs of replacing furnishing.

- The current 100% first year allowance on business purchasing low emission cars will be extended to April 2020. A low emission car is one where the CO2 emissions do not exceed 75 gm/km and this threshold will fall to 50 gm/km from April 2018. In addition, the CO2 emission threshold for the main rate of capital allowances for business cars will reduce from 130 gm/km to 110 gm/km from April 2018.

- A new soft drinks industry levy is being introduced from April 2018. The levy will be paid by producers and importers of soft drinks that contain added sugar. An exclusion will apply for small operators and the Government is to consult on the details over the summer.

- Tax relief on the finance costs incurred on residential property will be gradually restricted to basic rate tax relief from 6 April 2017.

Employment tax

- From April 2018, termination payments in excess of the £30,000 exemption will also be subject to employer's national insurance contributions (NIC). A consultation will also be held on reducing the scope of the £30,000 exemption.
- Tax relief available for employer-arranged pension's advice will increase from £150 to £500 as of April 2017.
- The Government will introduce the apprenticeship levy in April 2017. It will be set at a rate of 0.5% of an employer's pay bill and will be payable through PAYE. It will apply to all employers across all sectors. Each employer will receive an allowance of £15,000 to offset against their levy payment, with the result that only employers with total gross employee earnings in excess of £3 million will be subject to the charge.
- The national insurance contributions (NIC) employment allowance remains at £3,000 a year. It is withdrawn from single person companies, such as a personal service company.

VAT

- VAT compulsory registration taxable turnover threshold limit has increased from 1 April 2017 to £85,000 from £83,000.
- VAT compulsory deregistration taxable turnover threshold limit has changed to £83,000

National insurance

- Class 1, Class 1A and Class 1B rates are unchanged.
- From 6 April 2017 Class 2 weekly rate is at £2.85. Exemption limit is £6,025PA.
- Class 2 contributions will be included in taxpayers' final Self-Assessment liability together with income tax and Class 4 National Insurance.
- Class 3 voluntary weekly contributions rate is at £14.25
- Class 4 Contributions – Small earnings exemption increased to £8,164 from £8,060 PA
- 9% rate applies on annual profits between £8,164 and £45,000
- 2% rates applies on annual profits over £45,000
- From April 2018 National Insurance for the self-employed will be changing with Class 2 contribution abolished and Class 4 contributions reformed although the exact nature of these reforms has yet to be confirmed.

Corporate tax

From 1 April 2017 corporation tax will reduce to 19% for all companies irrespective of the level of their profits. It will be 17% from 1 April 2020.

Should you require any additional information regarding the above please contact Silver Levene for further advice.

This article is based on current legislation and practice and is for guidance only. Specific professional advice should be taken before acting on matters mentioned here. Umesh Modi BA ACA, is a chartered accountant, tax adviser and a partner at Silver Levene LLP. He can be contacted on 020 7383 3200 or umesh.modi@silverlevene.co.uk