

McGovern Accountancy Ltd.

Income Taxes - Autumn Budget 2017

The following is a summary of 2017 Autumn Budget in relation to Income Taxes.

Personal Allowance

The personal allowance will increase from £11,500 to £11,850 from April 2018.

Tax Bands

The point at which individuals will be taxable at the higher rate will increase from £45,000 to £46,350 with effect from April 2018.

As previously announced, the dividend allowance has decreased from £5,000 to £2,000 from April 2018.

National Insurance

As previously announced, the abolition of Class 2 NICs has been postponed for one year.

Marriage Allowance claims on behalf of deceased spouses

This measure allows marriage allowance claims to be made on behalf of deceased partners and spouses. This claim can be backdated by up to four years where the entitlement conditions have been met. These changes will come into effect from 29 November 2017.

The marriage allowance allows individuals to transfer 10% of their personal allowance to their spouse or civil partner as long as the individual receiving was not a higher rate or additional rate tax payer. Individuals will now be able to backdate their claims for up to four years.

The transfer of the marriage allowance permits the lower earning partner or spouse to reduce their tax bill by up to £230 a year in 2017/18. Today's change will have effect on and after 29 November 2017.

National Living Wage (NLW)

The National Living Wage (NLW) will increase to the following from April 2018:

- Workers aged 25 years old and over will increase from £7.50 to £7.83
- Workers aged 21 to 24 years old will increase from £7.05 to £7.38

- Workers aged 18 to 20 years old will increase from £5.60 to £5.90
 - Workers aged 16 to 17 years old will increase from £4.05 to £4.20
- The apprentice rate for those aged under 19 or in the first year of apprenticeship will increase from £3.50 to £3.70.

Mileage rates for landlords

This measure which will come into effect from the current tax year (2017/18) onwards, will allow landlords the choice of claiming the fixed rate per business mile or deducting actual motor expenses incurred and claiming the capital allowances.

This provision excludes companies or mixed partnerships. The mileage rate will be the same as those for trading individuals and employees.

This move is more consistent with trading businesses who already have this choice.

Capital Gains Tax payment for residential properties

The previously announced measure which introduced a 30-day payment window for payment of capital gains tax on residential property gains has been postponed until April 2020. This measure is already in place for non UK residents.

Diesel Company cars provided by employers to employees

Employers who provide employees with Diesel Company Cars registered on and after 1 January 1998, which are available for private use, will see an increase in the level of taxable benefits arising on the car and the fuel provided. The percentage used for calculating the taxable benefit and the cash equivalent of this taxable benefit has increased from 3% to 4%. This will come into effect from 6 April 2018.

Employer providing electricity for electric cars

The government announced from 6 April 2018 there will be no reporting requirements for a Benefit In Kind where the employer provide charging points in the workplace for employee owned electric and hybrid cars.

Enterprise Investment Schemes (EIS)

Changes have been introduced to the amount that individuals can invest under the EIS scheme in each tax year, in order to encourage more investments in knowledge intensive companies. The limit has doubled from £1 million to £2 million, provided that the excess over £1m is invested in knowledge-intensive companies.

The amount that EIS companies can raise has also been increased from £5m to £10m.

Venture Capital Trusts (VCTs)

The VCT scheme is being amended to exclude tax-motivated investments where there is little risk to the original investment. Unless the company has objectives to grow and develop over the long-term and there is a significant risk of loss of capital for the investor, no advance assurance will be given that income tax relief will be available.

The amount the VCT companies can raise has also been increased from £5m to £10m.

Pension lifetime allowance

The lifetime allowance for pensions will increase from £1m to £1.03m.

Making Tax Digital

Making Tax Digital continues to be a hot topic. Thankfully Mr Hammond appears to be listening to the concerns of many business owners. As announced in July only businesses with a turnover above the VAT threshold will be mandated to use the Making Tax Digital (MTD) from April 2019. Businesses below the VAT threshold will not be required to use MTD but can voluntarily sign up early. Further information on MTD is due to be published by the government on 1 December 2017.

This is a welcome announcement for smaller business but it still remains to be seen how this will work in practice.