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CLIENT NEWSLETTER

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Income Taxation

The personal allowance for the new tax year, 2017/18, will be £11,500, unchanged from the previous Chancellor's chosen figure. Mr Hammond repeated the pledge that the allowance will rise to £12,500 by 2020/21, but gave no indication of the trajectory. The basic rate band (for the UK excluding Scotland) rises to £33,500, meaning that the higher rate threshold (personal allowance + basic rate band) will be £45,000, an increase of £2,000 on 2016/17. The personal savings allowance (£1,000 for basic rate taxpayers and £500 for higher rate taxpayers) was frozen for 2017/18, as was the £5,000 dividend allowance.

What's the effect on personal allowance, basic rate ban and personal savings allowance? Is it time to review your scheme?

National Insurance Contributions

While the focus was on the (non-)changes to Class 4 National Insurance Contributions (NICs) from 2018/19, there was also a change to Class 1, payable by employers and employees which went largely unnoticed. For 2017/18, the upper earnings limit, which sets the ceiling for employee full (12%) rate Class 1 NICs, was increased in line with the rise in the higher rate threshold. Thus, if you are a higher rate taxpaying employee with a full personal allowance, in 2017/18 the £500 tax you save from the increased personal allowance and higher rate threshold will be offset by an extra £188 in NICs.

What are the different class rates? Changes to the higher rate threshold? Action to take?

Pension

After the past few years of radical changes to pension rules, this year's Budget was a relatively quiet affair on the pensions front. While Mr Hammond resisted a raid on pensions in his first and final Spring Budget, in the longer term some further attack on pension tax relief looks inevitable to help the government finances return to balance. This is particularly so in light of the post-Budget U-turn on the proposed 1% increases in Class 4 National Insurance contributions scheduled for 2018/19 and 2019/20. As a paper issued alongside last year's Autumn Statement noted, 'The cost of tax and National Insurance contributions relief on pension savings is one of the most expensive sets of relief offered by the government. In 2014 to 2015 this cost around £48bn, with around two thirds of the tax relief going to higher and additional rate taxpayers.

A reduction in money purchase annual allowance? Are you planning to draw benefits from your pension plans or retire abroad? Action to take?

National Savings and Investment

In the Budget the Chancellor announced the terms of the new National Savings and Investments (NS&I) Bond to 'support savers who have been affected by low interest rates'. The Bond will offer a "market-leading" rate of 2.2%, fixed for three years; it will be available for 12 months from April 2017; it will be on sale to anyone aged 16 or over; and the minimum investment will be £100, with a maximum of £3,000.

Are interest rate set to rise? Do you your income options available and the risks involved? Action to be take?

Fringe Benefits

The tax rules for many salary sacrifice arrangements change on 6 April 2017. The general principle will be that you are taxed (and your employer pays NICs) on the greater of the taxable value of the benefit you receive (which could be nil); and the salary you sacrifice (which will usually be the higher figure or the sacrifice would not have made sense).

Are you aware the importance of salary sacrifice arrangements, transitions and exceptions? Action to take?

occasioned in connection with the content hereof and any such action or inaction. Professional advice is necessary for every case.