



## **SPRING 2017 Budget – Newsletter**

### **Personal Tax**

#### **Personal Allowance and Higher Rate Threshold**

The personal allowance is rising by £500 to £11,500 and the higher rate threshold is increasing by £2,000 to £45,000 from April 2017.

#### **Dividend Allowance Reduction**

The Government plans in Finance Bill 2017 to reduce the tax-free allowance for dividend income from £5,000 to £2,000 from April 2018.

This measure is targeted towards owner managed companies who draw some of their remuneration through dividends.

#### **Trading and Property Income Allowances**

From April 2018 the Government plans to create two new income tax allowances of £1,000 each, for trading and property income. The allowances can be deducted from income instead of actual expenses. Anti-avoidance measures will be put in place to stop partners and close company participators benefiting from this measure on income from their businesses.

#### **Digital Administration**

The Government will provide an extra year, until April 2019, before Making Tax Digital (MTD) comes in for landlords with turnover below the VAT threshold.

#### **Rent-A-Room Relief**

The Government is to consult on proposals to try and better target rent-a-room relief to support longer-term lettings. The aim is to align this relief more closely with its intended purpose, i.e. to increase the supply of affordable long-term lodgings.

#### **Tax-Advantaged Venture Capital Schemes**

As announced in the Autumn Statement last year, the Government will amend requirements for the Enterprise Investment Scheme (EIS); the Seed Enterprise Investment Scheme (SEIS), and Venture Capital Trusts (VCTs). These amendments are intended to :

- clarify the rules for the rights to convert shares from one class to another for EIS & SEIS schemes
- provide additional flexibility for follow-on investments made by VCTs
- introduce a power to enable VCT regulations to be made in relation to certain share for share exchanges

*This brief summary covers some of the budget changes; you are advised to further take professional advice before acting.*



## Employment and Benefits in Kind

### Alignments of dates for making good on benefits in kind (BiKs)

Where an employee makes a payment in return for the BiK they receive, this can have the effect of reducing the taxable value of the BiK. The time for making these payments (from employee to employer) will be set at 6 July following the end of the tax so the taxable value of the BiK will be reduced or removed if making good takes place by that date. This aligns the “making good” payment with the date by which employers have to file the P11Ds with HMRC. This measure will come into effect for tax arising on liabilities for 2017-18.

### Optional Remuneration Arrangements (Salary Sacrifice)

Legislation will be introduced effective from 6 April 2017 to remove income tax and employer NICs advantages where BiKs are provided through salary sacrifice or other optional remuneration arrangements. Transitional rules will protect employees who are in contractual arrangements before 6 April 2017, until the earlier of a variation or renewal of the contract, or 6 April 2018.

### Reform of Tax Treatment of Termination Payments

The Government is to tighten and clarify the tax treatment of termination payments. This will include making all contractual and non-contractual payments in lieu of notice taxable as earnings: and requiring employers to tax the equivalent of an employee’s basic pay if notice is not worked. NICs treatment of termination payments will be aligned with tax and be payable on the elements of the termination payment exceeding £30,000.. The changes will take effect from 6 April 2018. The first £30,000 of a termination payment will remain exempt from income tax and NICs.

### Employment Allowance Restriction for those Employing Illegal Worker

Following a consultation, and because of concerns raised around complexity, the Government has decided not to introduce a restriction of the employment allowance for one year, for employers who receive a civil penalty from the Home Office for employing illegal workers.

## Business Tax

### Changes For the Self-Employed

It is proposed that the main rate of Class 4 NICs will rise from 9% to 10% in April 2018 and to 11% in April 2019. This is a very controversial move: and one the Government have been asked to reconsider. This measure was to coincide with the abolition of Class 2 Nic from April 2018.

### Help With Business Rates

A business rates revaluation takes effect in England from April 2017. There has been growing pressure for the Government to act to help small businesses.

The Government have now responded with a package of support , including: -

- a commitment that no business coming out of small business rates relief will pay more than £600 more in business rates in 2017–18 compared to 2016–17;
- additional funding for local authorities to allow them to provide £300 million of discretionary relief to help businesses most affected by the revaluation; and
- pubs with a rateable value up to £100,000 will be able to claim a £1,000 business rates discount for one year.

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## **Business Tax (Cont.)**

### **Making Tax Digital (MTD)**

In the Spring Budget, the Government confirmed that businesses with turnover of less than £10,000 will be exempt from MTD: and a one-year delay was announced for businesses with a turnover of less than the VAT threshold.

This means that only those businesses, self-employed people and landlords with turnovers in excess of the VAT threshold (£85,000 from April 2017) will be required to start using the new digital service from April 2018.

Those with turnover below the VAT threshold will need to start using the service from April 2019.

### **Increasing the Cash Basis Entry Threshold**

As From 2017-18, the entry threshold for the cash basis for calculating business profits will increase from £83,000 to £150,000 and the exit threshold to £300,000. For Universal Credit claimants, the entry threshold will be increased to £300,000.

### **Simplified Cash Basis for Unincorporated Businesses and Property Businesses**

The Government intends to provide a simple list of disallowed expenditure to make it easier for businesses using the cash basis to work out whether their expenditure is deductible for tax purposes. The changes are to have effect from April 2017, although for 2017-18 a business can calculate their trading profits using either the new rules or the existing rules.

For those individuals with property businesses with receipts under £150,000 the cash basis can be used (instead of the accruals basis).

For those with both properties in the UK and overseas a choice can be made for each.

## **Companies**

### **Corporation tax and business tax**

The Government reaffirmed its commitment to corporation tax rate reductions, which remain as follows:

- Financial year 2017 - 19%
- Financial year 2018 - 19%
- Financial year 2019 - 19%
- Financial year 2020 - 17%

### **Relief for losses carried forward**

The Government will reform the rules relating to tax relief for corporate losses carried forward from earlier periods.

This reform will give all companies more flexibility and relax the way in which they can use losses arising on or after 1 April 2017. In future carried forward losses may be relieved against profits from different types of income: and profits of other group companies.

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