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# WELCOME TO THE 2016 BUDGET FROM BRANSTON ADAMS

Chancellor George Osborne delivered his eighth Budget to the House of Commons, dubbing it a 'Budget for the long term' but warning that 'the storm clouds are gathering again'.



- ▶ Small Business Rate Relief threshold rising to £12,000
- ▶ Corporation tax to reach 17% from April 2020
- ▶ New Lifetime ISA for the under-40s
- ▶ Stamp duty on commercial property reduced for lower bands
- ▶ Capital gains tax to be cut from 28% to 20%
- ▶ Income tax personal allowance rising to £11,500 from April 2017
- ▶ Class 2 NICs for the self-employed abolished from 2018
- ▶ ISA allowance to rise to £20,000
- ▶ New sugar levy on soft drinks from 2018

## BUDGET HIGHLIGHTS

- ▶ The rate of tax charged on loans to participators and other arrangements is to be increased from 25% to 32.5% so that it continues to mirror the higher rate of dividend tax. This new rate will apply to loans made and benefits conferred by close companies on or after 6 April 2016. For accounting periods which straddle 6 April 2016, different rates will be applied to separate loans made or benefits conferred before, and on or after, 6 April 2016.

## LOANS TO PARTICIPATORS



- ▶ From April 2017, individuals working through their own company in the public sector will no longer be responsible for deciding whether the intermediaries legislation (known as IR35) applies and then paying the relevant tax and national insurance contributions (NICs). This responsibility will instead move to the public sector employer, agency, or third party that pays the worker's intermediary. They will have to decide if the rules apply to a contract and, if so, account for and pay the liabilities through the RTI system and deduct the relevant tax and NICs. The existing IR35 rules will continue as they are now for non-public sector engagements.

## PERSONAL SERVICE COMPANIES



- ▶ Legislation will be introduced to ensure that non-resident developers of UK property will always be brought into UK tax on the profits from that development. The legislation puts in place a specific set of rules to tax trading profits derived from land in the UK and these rules will apply equally to resident and non-resident businesses, and will not depend on the existence of a 'permanent establishment' in the UK.
- ▶ The legislation will be introduced at Report Stage of Finance Bill 2016 and will take effect from the date of introduction. Anti-avoidance rules will take effect from Budget Day to counteract arrangements, put in place between Budget Day and the date the new legislation is introduced, that are designed to get around the charge.

## **PROFITS FROM TRADING IN AND DEVELOPING UK LAND**

- ▶ From April 2016 the annual Employment Allowance for employer NICs increases from £2,000 to £3,000. However, companies where the director is the sole employee will no longer be able to claim this allowance.

## CHANGES TO THE EMPLOYMENT ALLOWANCE

- ▶ It was announced that from April 2018, Class 2 NICs will be abolished, and a reform of Class 4 NICs will be undertaken.

## NIC FUTURE CHANGES

- ▶ As announced at the Autumn Statement 2015, an apprenticeship levy will be introduced in April 2017. It was announced in the Budget that from April 2017, employers will receive a 10% top-up to their monthly levy contributions in England and this will be available for them to spend on apprenticeship training through their digital account.

## APPRENTICESHIP LEVY



- ▶ From April 2018, employer NICs will be due on termination payments above £30,000 that are already subject to income tax.
- ▶ The first £30,000 of a termination payment will remain exempt from income tax and the full payment will be outside the scope of employee NICs

## TERMINATION PAYMENTS



- ▶ From 6 April 2017 any adult under 40 will be able to open a new Lifetime ISA. They can save up to £4,000 each year and will receive a 25% bonus from the Government for every pound they put in, up to the age of 50.
- ▶ Funds can be used to save for a first home or for retirement. Features include:
- ▶ both the savings and Government bonus can be used towards a deposit on a first home, worth up to £450,000
- ▶ accounts are limited to one per person rather than one per home – so two first-time buyers can both receive a bonus when buying together
- ▶ during the 2017/18 tax year, those that have a Help to Buy: ISA can transfer the savings into the Lifetime ISA, or continue saving into both, but will only be able to use the bonus from one to buy a house
- ▶ after their 60th birthday savers can withdraw the savings, tax-free
- ▶ savers can withdraw money at any time before their 60th birthday for any purpose, but the Government bonus, together with any interest or growth thereon will be lost. A 5% charge will also be payable.

## LIFETIME ISA



Under the Scotland Act 2012, with effect from 6 April 2016 the Scottish Parliament has the power to set a separate annual rate of income tax for Scottish taxpayers. The new regime means that taxpayers who are deemed to be resident in Scotland will effectively pay two types of income tax on their non-savings income, with the main UK rates of income tax being reduced by 10p for Scottish taxpayers, and the Scottish Parliament levying the SRIT in its place. In its draft Budget in December 2015, the Scottish government announced that the new SRIT will be set at 10p in the pound for 2016/17. However, while the overall rates of tax paid by Scottish taxpayers remain unchanged for the coming year, the new rules will affect many employers and employees. Any employer in the UK, even those based outside Scotland, will see a change to PAYE procedures if a single one of their employees is classed as a Scottish taxpayer for the purposes of SRIT.

A new 'S' prefix will be added to the tax code of Scottish taxpayers, and payroll software will need to apply the correct rates of SRIT. However, employers should not use an 'S' tax code until advised to do so by HMRC. There is no requirement to identify the SRIT proportion of tax on the P60, but the P60 should show a Scottish tax code where relevant

## THE SCOTTISH RATE OF INCOME TAX (SRIT)

From	1 April 2016
Standard rate	20%
VAT fraction	1/6
Reduced rate	5%
<b>Current Turnover Limits</b>	
Registration - last 12 months or next 30 days over	£83,000 from 1 April 2016
Deregistration - next 12 months under	£81,000 from 1 April 2016
Annual and Cash Accounting Schemes	£1,350,000
Flat Rate Scheme	£150,000



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# VALUE ADDED TAX (VAT)



- ▶ With effect from 21 March 2016 the following duty rates will be frozen in cash terms this year:
- ▶ duty rates on beer
- ▶ duty rates on spirits and other drinks above 22% alcohol by volume (abv)
- ▶ duty rates on still cider and lower strength sparkling cider.
- ▶ The duty rates on wine and made-wine at or below 22% abv, and high strength sparkling cider above 5.5% abv will rise by RPI inflation from 21 March 2016.

## ALCOHOL DUTY



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- ▶ With effect from 6pm on 16 March 2016, the hand-rolling tobacco duty rate is increased by 5% above RPI inflation this year. This is an additional 3% rise above the tobacco duty escalator which, as announced at Budget 2014, will continue until the end of this Parliament.

## TOBACCO DUTY

- ▶ Changes take effect on and after 17 March 2016 for purchasers of non-residential property with an upfront payment worth more than £150,000 or a lease net present value (NPV) of more than £5m. These measures do not apply in Scotland.
- ▶ The measure changes the rules for calculating the SDLT charged on purchases of non-residential properties and transactions involving a mixture of residential and non-residential properties. At present, for purchases of freehold, the assignment of an existing lease and for the upfront payment (premium) on a new leasehold transaction, SDLT is charged at a single percentage of the price paid for the property, depending on the rate band within which the purchase price falls.
- ▶ On and after 17 March 2016, SDLT will be charged at each rate on the portion of the purchase price which falls within each rate band. The new rates and thresholds for freehold purchases and lease premiums are:
  - ▶ £0 - £150,000
  - ▶ 0%
  - ▶ £150,001 - £250,000
  - ▶ 2%
  - ▶ £250,000 +
  - ▶ 5%

## STAMP DUTY LAND TAX (SDLT) FOR NON-RESIDENTIAL PROPERTY

- ▶ From 1 April 2016 changes will apply to individuals purchasing a residential property in England, Wales and Northern Ireland who, at the end of the day of the transaction, own two or more residential properties and are not replacing a main residence. Companies and other non-natural persons purchasing residential property will also be subject to the higher rates, including the first purchase of a residential property in England, Wales and Northern Ireland. The higher rates will be three percentage points above the current SDLT rates, as follows:

<b>Threshold</b>	<b>Existing SDLT rates</b>	<b>New additional property SDLT rates</b>
£0 - £125,000	0%	3%
£125,000 - £250,000	2%	5%
£250,000 - £925,000	5%	8%
£925,000 - £1,500,000	10%	13%
£1,500,000 +	12%	15%



- ▶ Following the business rates review, the Government has announced that from 1 April 2017 it will permanently double Small Business Rate Relief in England from 50% to 100%. It will also increase the thresholds so that businesses with a property with a rateable value of £12,000 and below will receive 100% relief, while businesses with a property with a rateable value between £12,000 and £15,000 will receive tapered relief.

## **BUSINESS RATES**



- ▶ A new soft drinks industry levy will be introduced, to be paid by producers and importers of soft drinks that contain added sugar. The levy will be charged on volumes according to total sugar content, with a main rate charge for drinks containing above five grams of sugar per 100 millilitres and a higher rate for drinks with more than eight grams of sugar per 100 millilitres. There will be an exclusion for small operators. Following consultation, legislation will be introduced in Finance Bill 2017 and implemented from April 2018.

## SOFT DRINKS INDUSTRY LEVY



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The standard rate of IPT will be increased from 9.5% to 10% with effect from 1 October 2016. "To be recycled for Flood Defences etc"

## **INSURANCE PREMIUM TAX (IPT)**



- ▶ A new soft drinks industry levy will be introduced, to be paid by producers and importers of soft drinks that contain added sugar. The levy will be charged on volumes according to total sugar content, with a main rate charge for drinks containing above five grams of sugar per 100 millilitres and a higher rate for drinks with more than eight grams of sugar per 100 millilitres. There will be an exclusion for small operators. Following consultation, legislation will be introduced in Finance Bill 2017 and implemented from April 2018. “To be recycled for Sports and Schools etc”

## SOFT DRINKS INDUSTRY LEVY

## Unmarried couple, both earning



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Salary	Net income post-Budget 2015/16	Net income post-Budget 2016/17	Net income post-Budget 2017/18	Monthly gain/loss 2016/17	Monthly gain/loss 2017/18
£10,000	£11,302	£11,302	£11,302	£0	£0
£15,000	£14,767	£14,767	£14,767	£0	£0
£20,000	£18,821	£18,901	£19,001	+£7	+£8
£25,000	£22,721	£22,801	£22,901	+£7	+£8
£30,000	£26,454	£26,534	£26,634	+£7	+£8
£35,000	£29,974	£30,134	£30,334	+£13	+£17
£40,000	£33,374	£33,534	£33,734	+£13	+£17
£45,000	£36,774	£36,934	£37,134	+£13	+£17
£50,000	£40,174	£40,334	£40,534	+£13	+£17
£60,000	£46,974	£47,134	£47,334	+£13	+£17
£70,000	£53,346	£53,568	£53,968	+£18	+£33
£80,000	£59,480	£59,701	£60,101	+£18	+£33
£90,000	£65,613	£65,834	£66,234	+£18	+£33
£100,000	£71,746	£71,968	£72,368	+£18	+£33
£125,000	£87,080	£87,301	£87,701	+£18	+£33
£150,000	£101,651	£101,934	£102,534	+£24	+£50

## Single person, self-employed



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<b>Salary</b>	<b>Net income post-Budget 2015/16</b>	<b>Net income post-Budget 2016/17</b>	<b>Net income post-Budget 2017/18</b>	<b>Monthly gain/loss 2016/17</b>	<b>Monthly gain/loss 2017/18</b>
£10,000	£10,982	£10,982	£10,982	£0	£0
£15,000	£13,350	£13,430	£13,530	+£7	+£8
£20,000	£16,900	£16,980	£17,080	+£7	+£8
£25,000	£20,450	£20,530	£20,630	+£7	+£8
£30,000	£24,000	£24,080	£24,180	+£7	+£8
£35,000	£27,550	£27,630	£27,730	+£7	+£8
£40,000	£31,100	£31,180	£31,280	+£7	+£8
£45,000	£34,310	£34,470	£34,830	+£13	+£30
£50,000	£37,210	£37,370	£37,730	+£13	+£30
£60,000	£43,010	£43,170	£43,530	+£13	+£30
£70,000	£48,810	£48,970	£49,330	+£13	+£30
£80,000	£54,610	£54,770	£55,130	+£13	+£30
£90,000	£60,410	£60,570	£60,930	+£13	+£30
£100,000	£66,210	£66,370	£66,730	+£13	+£30
£125,000	£76,470	£76,470	£76,630	£0	+£13
£150,000	£90,970	£90,970	£91,130	£0	+£13

## Married couple, one earner, two children



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Salary	Net income post-Budget 2015/16	Net income post-Budget 2016/17	Net income post-Budget 2017/18	Monthly gain/loss 2016/17	Monthly gain/loss 2017/18
£10,000	£20,973	£20,973	£20,973	£0	£0
£15,000	£22,655	£22,743	£22,853	+£7	+£9
£20,000	£24,005	£24,093	£24,203	+£7	+£9
£25,000	£25,355	£25,443	£25,553	+£7	+£9
£30,000	£26,705	£26,793	£26,903	+£7	+£9
£35,000	£28,888	£28,976	£29,086	+£7	+£9
£40,000	£32,288	£32,376	£32,486	+£7	+£9
£45,000	£35,215	£35,356	£35,656	+£12	+£25
£50,000	£38,115	£38,256	£38,556	+£12	+£25
£60,000	£42,126	£42,267	£42,567	+£12	+£25
£70,000	£47,926	£48,067	£48,367	+£12	+£25
£80,000	£53,726	£53,867	£54,167	+£12	+£25
£90,000	£59,526	£59,667	£59,967	+£12	+£25
£100,000	£65,326	£65,467	£65,767	+£12	+£25
£125,000	£75,586	£75,567	£75,667	-£2	+£8
£150,000	£90,086	£90,067	£90,167	-£2	+£8

## Married couple, two earners, two children



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Salary	Net income post-Budget 2015/16	Net income post-Budget 2016/17	Net income post-Budget 2017/18	Monthly gain/loss 2016/17	Monthly gain/loss 2017/18
£10,000	£21,206	£21,206	£21,206	£0	£0
£15,000	£23,923	£23,923	£23,923	£0	£0
£20,000	£26,138	£26,227	£26,337	+£7	+£9
£25,000	£27,989	£28,077	£28,187	+£7	+£9
£30,000	£29,580	£29,740	£29,870	+£13	+£11
£35,000	£31,763	£31,923	£32,123	+£13	+£17
£40,000	£35,163	£35,323	£35,523	+£13	+£17
£45,000	£38,563	£38,723	£38,923	+£13	+£17
£50,000	£41,963	£42,123	£42,323	+£13	+£17
£60,000	£48,763	£48,923	£49,123	+£13	+£17
£70,000	£55,135	£55,357	£55,757	+£18	+£33
£80,000	£60,672	£60,894	£61,294	+£18	+£33
£90,000	£65,613	£65,834	£66,234	+£18	+£33
£100,000	£71,746	£71,968	£72,368	+£18	+£33
£125,000	£87,080	£87,301	£87,701	+£18	+£33
£150,000	£101,651	£101,934	£102,534	+£24	+£50





## Single person, no children

Salary	Net income post-Budget 2015/16	Net income post-Budget 2016/17	Net income post-Budget 2017/18	Monthly gain/loss 2016/17	Monthly gain/loss 2017/18
£10,000	£11,069	£11,069	£11,069	£0	£0
£15,000	£13,287	£13,367	£13,467	+£7	+£8
£20,000	£16,687	£16,767	£16,867	+£7	+£8
£25,000	£20,087	£20,167	£20,267	+£7	+£8
£30,000	£23,487	£23,567	£23,667	+£7	+£8
£35,000	£26,887	£26,967	£27,067	+£7	+£8
£40,000	£30,287	£30,367	£30,467	+£7	+£8
£45,000	£33,426	£33,567	£33,867	+£12	+£25
£50,000	£36,326	£36,467	£36,767	+£12	+£25
£60,000	£42,126	£42,267	£42,567	+£12	+£25
£70,000	£47,926	£48,067	£48,367	+£12	+£25
£80,000	£53,726	£53,867	£54,167	+£12	+£25
£90,000	£59,526	£59,667	£59,967	+£12	+£25
£100,000	£65,326	£65,467	£65,767	+£12	+£25
£125,000	£75,586	£75,567	£75,667	-£2	+£8
£150,000	£90,086	£90,067	£90,167	-£2	+£8



- ▶ Assumptions used in the tax tables published here, which have been provided by Brnaton Adams (1) Where both members in a couple earn, the income is split two-thirds to one-third. (2) All earners work 30 or more hours. (3) No investment income received. (4) All children under 16. (5) Tables include tax credits (Working and Child tax credits and Child Benefit where applicable) (6) No pension contributions or Gift Aid payments. (7) Estimates based on announcements in the Budget in line with previous increases (Consumer Price Index/Retail Price Index) for 2016/17, when there are no published rates, thresholds or allowances. (8) Tables do not include blind person's allowances. (9) Married couples do not include Married Couples Allowance



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