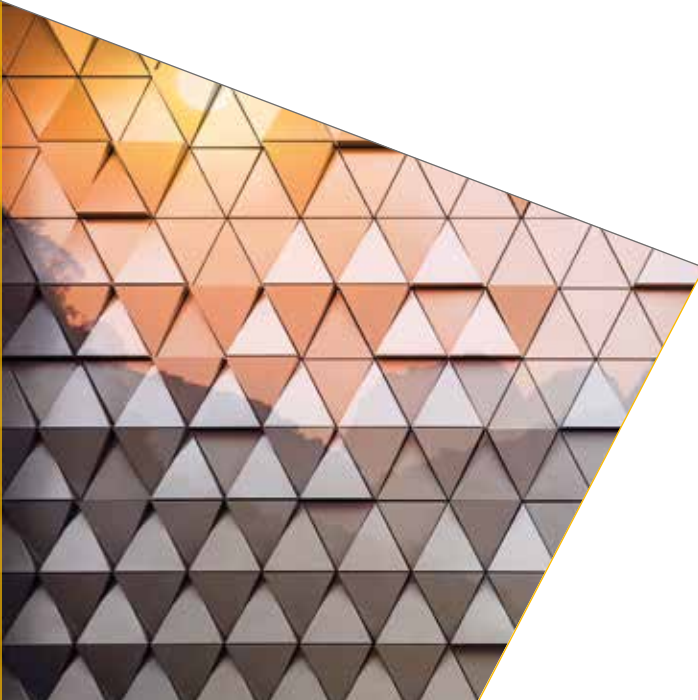


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CHARTERED ACCOUNTANTS AND CHARTERED TAX ADVISERS

# Beyond the numbers

Budget 2016



## Income tax and allowances

Rates	2016-17	2015-16	Notes
0%/20% starting rate	£1–£5,000	£1–£5,000	A
20% basic rate	£5,001–£32,000	£5,001–£31,785	
40% higher rate	£32,001–£150,000	£31,786–£150,000	
45% additional rate	Over £150,000	Over £150,000	

A. 0% only available on savings income when non-savings income is less than savings rate band, otherwise 20%.

## Dividend tax

Rates	2016-17		2015-16		Notes
	Rate on dividend	Actual rate	Effective rate		
First £5,000 tax-free	0%	N/A	N/A		
Savings and basic rate taxpayers	7.5%	10%	0%		A
Higher rate taxpayer	32.5%	32.5%	25%		
Additional rate taxpayer	38.1%	37.5%	30.56%		

A. For 2015/16 the actual rate is rate applied to dividend received plus tax credit. Effective rate is on dividend received.

## Income tax allowances

Rates	2016-17	2015-16	Notes
Basic personal allowance	£11,000	£10,600	A
People born before 6 April 1938	N/A	£10,660	B
Transfer of personal allowance	£1,100	£1,060	C
Married/civil partnership allowance (basic)	£3,220	£3,220	D
Married/civil partnership allowance (aged 81 and over)	£8,355	£8,355	B,D
Blind person's allowance	£2,290	£2,290	
Rent a room	£7,500	£4,250	
Saving allowance: basic rate	£1,000	N/A	
higher rate	£500	N/A	

A. Reduces by £1 for £2 of income over £100,000 (applies to all ages).

B. Reduces by £1 for £2 of income over £27,700 until basic personal allowance and basic married/civil partnership couples' allowance is reached.

C. Only available if lower earner is below personal allowance and higher earner is a basic rate taxpayer.

D. Relief at 10% available if one spouse was born before 6 April 1935.

## National insurance contributions

Rates	From 6 April 2016	Notes
Class 1 employee weekly earnings		A
£0–£155	nil	
£155.01–£827	12%	
Over £827.01	2%	

## National insurance contributions (cont'd.)

Rates	From 6 April 2016	Notes
<b>Employer weekly earnings</b>		
£0–£156	nil	
Over £156	13.8%	B,C
<b>Class 2 self employed annual earnings</b>		
£1–£5,965	Exempt	
Over £5,965	£2.80	D
<b>Class 3 voluntary</b>	£14.10	D
<b>Class 4 self employed annual earnings</b>		
• £1–£8,060 annual profits	0%	
• £8,060–£43,000 annual profits	9%	
• Over £43,000 annual profits	2%	

A. Contracting out of NIC was abolished on 6 April 2016.

B. Employers of apprentices under 25 pay no NIC on their earnings below £827 per week.

C. Employment allowance £3,000 per year per employer.

D. Weekly flat rate.

## Inheritance tax

Rates	2016-17	2015-16	Notes
Nil rate band: £1–£325,000	0%	0%	A
Over £325,000	40%	40%	
On relevant lifetime transfers	20%	20%	
On death transfers	40%	40%	
Reduced rate	36%	36%	B
<b>Exemptions</b>			
Annual gifts per donor	£3,000	£3,000	
Small gifts per donee	£250	£250	
Gifts from a parent on marriage	£5,000	£5,000	
Gifts from grandparent on marriage	£2,500	£2,500	
Other gifts on marriage	£1,000	£1,000	
Regular gifts out of income	exempt	exempt	

A. Executors of a surviving spouse can claim any unused nil rate band on the death of the first spouse.

B. Where 10% or more of the deceased person's net estate is left to charity.

## Charitable giving

Gift Aid – after tax cost to taxpayer					Notes
Donor's top rate of tax	0%	20%	40%	45%	
Cash donation	£80	£80	£80	£80	
Additional tax/(relief)	£20	£0	(£20)	(£25)	
<b>Net cost to taxpayer</b>	<b>£100</b>	<b>£80</b>	<b>£60</b>	<b>£55</b>	A

A Example: a donor gives cash of £80 to a charity under Gift Aid. The charity reclaims £20 from HMRC, receiving a total of £100.

## Capital gains tax

	2016-17	2015-16	Notes
<b>Annual exemption</b>			
Individuals	£11,100	£11,100	
Trusts	£5,550	£5,550	
<b>Rates</b>			
Basic rate taxpayer	10%	18%	A,B
Higher rate taxpayer	20%	28%	A,B
Trusts and personal representatives	20%	28%	B
Entrepreneurs' relief	10%	10%	
Long-term external investor relief	10%	N/A	
Lifetime gains limit	£10m	£10m	

A. Gains treated as the top slice of income and taxed at marginal rates (10% up to the higher rate threshold and 20% above).

B. Rates of capital gains tax on residential property and carried interest remains at 18% for basic rate taxpayers and 28% for higher rate taxpayers.

## Pension contributions

	2016-17	2015-16	Notes
Annual allowance	£40,000	£40,000	A,B
Lifetime allowance	£1m	£1.25m	

A. Tax relief on lower of annual earnings or the annual allowance (or £3,600 regardless of earnings level). Includes both personal and employer contributions.

B. Annual allowance reduced by £1 for every £2 for income over £150,000 to a minimum of £10,000 for 2016/17.

## Individual savings accounts

	2016-17	2015-16	Notes
Total maximum contributions to an adult ISA	£15,240	£15,240	
Junior ISA	£4,080	£4,080	

## Tax efficient savings and investments

	2016-17	2015-16	Notes
<b>Enterprise investment scheme</b>	£1m	£1m	
Rate of income tax relief	30%	30%	
<b>Seed enterprise investment scheme</b>	£100,000	£100,000	
Rate of income tax relief	50%	50%	
<b>Venture capital trusts</b>	£200,000	£200,000	
Rate of income tax relief	30%	30%	
<b>Social investment tax</b>	£1m	£1m	
Rate of income tax relief	30%	30%	

## Car, van and fuel benefits

<b>Car benefit – CO<sub>2</sub> (g/km) emissions</b>	<b>2016-17</b>	<b>Notes</b>	
0–50	7%	A,B	
51–75	11%	A,B	
76–94	15%	A,B	
Each additional 1–5 g/km	Further 1%	A,B,C	
<b>Fuel benefit</b>			
Car: benefit percentage of	£22,200		
Van: fixed amount	£598		
	<b>2016-17</b>	<b>2015-16</b>	<b>Notes</b>
<b>Van benefit</b>	£ 3,170	£3,150	

A. For petrol cars registered after 1 January 1998, car benefit is calculated as a graduated percentage of a car's list price based on its CO<sub>2</sub> emissions (up to a maximum of 37%). Different rules apply for cars registered pre-1 January 1998 and those with no CO<sub>2</sub> figure.

B. A 3% supplement for diesel cars to a maximum of 37%.

C. To a maximum of 37%.

## Value added tax

<b>Standard rate</b>	<b>2016-17</b>	<b>2015-16</b>	<b>Notes</b>
Standard rate	20%	20%	
Reduced rate	5%	5%	
Registration threshold	£83,000	£82,000	A
Deregistration threshold	£81,000	£80,000	

A. Taxable turnover measured by reference to the last 12 months or next 30 days.

## Stamp duty land tax

<b>Residential properties</b>	<b>2016-17</b>	<b>Notes</b>
On consideration between:		
£0–£125,000	nil	A
£125,001–£250,000 (the portion from £125,001–£250,000)	2%	A
£250,001–£925,000 (the portion from £250,001–£925,000)	5%	A
£925,001–£1.5m (the portion from £925,001–£1.5m)	10%	A
Above £1.5m	12%	A

A. Additional supplement of 3% on second homes and buy to let properties.

### Non-residential and mixed use properties

Property price, premium or value up to £150,000 (any annual rent no greater than £1,000)	nil	
Properties up to £150,000 (annual rent more than £1,000)	0%	B
Properties between £150,001 and £250,000	2%	B
Properties over £250,000	5%	B

B. Rates for non-residential and mixed use properties are effective from 17 March 2016.

## Land and buildings transaction tax

<b>Purchase price of property</b>	<b>2016-17</b>	<b>Notes</b>
On consideration between:		
£0–£145,000	0%	A,B
£145,001–£250,000	2%	A,B
£250,001–£325,000	5%	A,B
£325,001–£750,000	10%	A,B
Over £750,000	12%	A,B

A. Replaces Stamp Duty Land Tax in Scotland; subject to approval by Scottish parliament.

B. Additional supplement of 3% on second homes and buy to let properties.

## Annual tax on enveloped dwellings

<b>Residential property value</b>	<b>2016-17</b>	<b>2015-16</b>	<b>Notes</b>
£500,000–£1m	£3,500	N/A	A,B
£1m–£2m	£7,000	£7,000	A,B
£2m–£5m	£23,350	£23,350	A,B
£5m–£10m	£54,450	£54,450	A,B
£10m–£20m	£109,050	£109,050	A,B
Over £20m	£218,200	£218,200	A,B

A. ATED capital gains tax rate: 28%.

B. ATED SDLT rate on properties worth more than £0.5 million held by non-natural persons: 15%

## Corporation tax

<b>Taxable profits</b>	<b>2016-17</b>	<b>2015-16</b>	<b>Notes</b>
Rate	20%	20%	

## Patent box

<b>Rate of tax on qualifying profits</b>	<b>2016-17</b>	<b>2015-16</b>	<b>Notes</b>
Main rate of corporation tax	11%	12%	

## Diverted profits tax

	<b>2016-17</b>	<b>2015-16</b>	<b>Notes</b>
Arrangements by which foreign companies exploit the permanent establishment rules, or companies create tax advantages by using transactions or entities that lack economic substance	25%	25%	

## Capital allowances

<b>Plant and machinery</b>	<b>2016-17</b>	<b>2015-16</b>	<b>Notes</b>
Annual investment allowance	100%	100%	A
• Until 31 December 2015: expenditure up to £500,000	100%	100%	B
• From 1 January 2016: expenditure up to £200,000	100%	100%	
Long life assets and integral features	8%	8%	
Other plant and machinery	18%	18%	
Certain assets	100%	100%	C

A. Available on general plant and machinery, long life assets and integral features, but not cars.

B. Time apportionment applies so available allowances may be less.

C. Assets used in research and development, enterprise zones, energy saving technologies, water efficient technologies, business premises renovation.

## Research and development tax credits

<b>Large companies</b>	<b>2016-17</b>	<b>2015-16</b>	<b>Notes</b>
Either			
Additional (enhanced) tax relief	N/A	30%	
Or			
Above the line repayable tax credit	11%	11%	
<b>Small companies</b>			
Additional (enhanced) tax relief	130%	130%	
Cash reclaim available per £100 spend to loss making small companies	£33.35	£33.35	

## Inheritance tax business property relief

<b>Type</b>	<b>Rate</b>	<b>Notes</b>
A business or an interest in a business	100%	
Unquoted shares	100%	
Unquoted securities which on their own or combined with other unquoted shares or securities give control of the company	100%	
Quoted shares which give control of the company	50%	
Land or buildings, machinery or plant used wholly or mainly for the purposes of a business they were a partner in or controlled	50%	
Land or buildings, machinery or plant available under a life interest and used in a business carried on by the individual	50%	

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