

Guide from

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Chartered Certified Accountants

	2017/18	2018/19	2019/20
	£	£	£
Income tax rates not including Scotland - (non-dividend income)			As announced or unchanged
0% - starting rate for savings only - note 1	Up to 5,000	Up to 5,000	Up to 5,000
20% basic rate tax	11,501 – 45,000	11,851 – 46,350	12,501 – 50,000
40% higher rate tax	45,001 – 150,000	46,351 – 150,000	50,001 – 150,000
45% additional rate tax	Above 150,000	Above 150,000	Above 150,000
<i>1 If an individual's taxable non-savings income exceeds the starting rate limit, then the starting rate for savings will not be available for savings income</i>			
Scottish rates of income tax			Budget date 12/12/2018
19% - starting rate		11,850 – 13,850	
20% basic rate tax		13,851 – 24,000	
21% intermediate rate tax		24,001 – 43,430	

41% higher rate tax		43,431 – 150,000	
46% top rate		Above150,000	Above150,000
Notes on changes to the Welsh tax system from 6 April 2019		Budget date 18/12/18	
<p>1 If you live in Wales, HMRC will continue to collect your Income Tax as usual. However, for the first time, a proportion of that Income Tax will be transferred straight to the Welsh Government. It will be spent on public services in Wales.</p> <p>2 From April 2019, the UK government will reduce each of the 3 rates of income tax – basic, higher and additional rate – paid by Welsh taxpayers by 10p. Each year, the Welsh Government will then decide the 3 Welsh rates of income tax, which will be added to the reduced UK rates. The combination of reduced UK rates plus the Welsh rates will determine the overall rate of income tax paid by Welsh taxpayers.</p> <p>3 Personal allowance and basic rate limit is set same for 2020-21 as in 2019-20. Future increase will be indexed with the CPI.</p>			
Income tax rates – (dividend income new rules from 6/4/2016)			
Dividend allowance	£5,000	£2,000	£2,000
Dividend ordinary rate (for dividends within basic rate band)	7.50%	7.50%	7.50%
Dividend upper rate (for dividends within higher rate band)	32.50%	32.50%	32.50%
Dividend additional rate (for dividends above higher rate band)	38.10%	38.10%	38.10%
Child benefit/Guardian's allowance rates			
Higher rate (eldest child only) (per week)	20.7	20.7	20.7
Other children	13.7	13.7	13.7
Guardian's allowance	16.7	17.2	17.6
<p>1 An income tax charge will apply to taxpayers with income exceeding £50,000 in a tax year, when child benefit is also received by them or their partner. The charge will reduce the financial benefit of receiving child benefit for those with income between £50,000 and £60,000 and remove it completely for taxpayers with income above £60,000.</p>			
Personal allowances			
Personal allowance – note 1	11,500	11,850	12,500
Dividend allowance	5,000	2,000	2,000

Maximum Married couple's allowance for those born before 6 April 1935 – note 2	8,445	8,695	8,915
Married couple's allowance – minimum amount	3,260	3,360	3,450
Micro entrepreneurs allowance:			
Individuals making property or trading incomes below the level of the allowance would no longer need to declare or pay tax, while those whose income exceeds the allowance have the choice of simply deducting the allowance instead of calculating their exact expenses or calculating their profits in the normal manner	Allowance-1,000	Allowance-1,000	Allowance-1,000
Income limit – note 3	100,000	100,000	100,000
Income limit for Married couple's allowance- born before 6 April 1935	28,000	28,900	29,600
Blind person's allowance	2,320	2,390	2,450
Rent-a-room relief	7,500	7,500	7,500
Transferable/shareable tax allowance for married couples and civil partners – note 4	1,150	1,190	1,250
Personal savings allowance for basic rate tax payers – note 5	1,000	1,000	1,000
Personal savings allowance for higher rate tax payers	500	500	500
<i>1 From 2016-17 onwards, all individuals will be entitled to the same personal allowance, regardless of the individuals' date of birth. This allowance is subject to the £100,000 income limit which applies regardless of the individual's date of birth.</i>			
<i>2 This allowance is reduced by £1 for every £2 of income in excess of the income limit, but married couple's allowance will not reduce below £3,450</i>			
<i>3. Personal allowances are subject to the £100,000 income limit which applies regardless of the individual's date of birth. The individual's personal allowance is reduced where their income is above this limit. The allowance is reduced by £1 for every £2 above the limit, down to zero</i>			
<i>4 This allowance is available to married couples and civil partners who are not in receipt of married couple's allowance. A spouse or civil partner who is not liable to income tax; or not liable at the higher or additional rates, can transfer this amount of their unused personal allowance to their spouse or civil partner. The recipient must not be liable to income tax at the higher or additional rates.</i>			
<i>If the couple marry or register a civil partnership, they'll get the allowance on a pro-rata basis for the rest of that tax year. If one of them dies there is a divorce or separation, the allowance continues until the end of the tax year.</i>			
National insurance			
Lower earnings limit, primary Class 1 (per week)	113	116	118

Upper earnings limit, primary Class 1 (per week)	866	892	962
Apprentice upper secondary threshold (AUST) for under 21s/ 25s	866	892	962
Primary threshold (per week)	157	162	166
Secondary threshold (per week)	157	162	166
Employment allowance (per year/employer) – Note 1	3,000	3,000	3,000
Employee's primary Class 1 rate between primary threshold and upper earnings limit	12%	12%	12%
Employee's primary Class 1 rate above upper earnings limit	2%	2%	2%
Married woman's reduced rate between primary threshold and upper earnings limit	5.85%	5.85%	5.85%
Married woman's rate above upper earnings limit	2.00%	2.00%	2.00%
Employer's secondary Class 1 rate above secondary threshold	13.80%	13.80%	13.80%
Class 2 rate (per week where profits are above small profits threshold)	2.85	2.95	3.00
Class 2 small profits threshold (per year)	6,025	6,205	6,365
Special Class 2 rate for share fishermen (per week)	3.5	3.6	3.65
Special Class 2 rate for volunteer development workers	5.65	5.80	5.90
Class 3 voluntary rate (per week)	14.25	14.65	15.00
Class 4 lower profits limit	8,164	8,424	8,632
Class 4 upper profits limit	45,000	46,350	50,000
Class 4 rate between lower profits limit and upper profits limit	9.00%	9.00%	9.00%
Class 4 rate above upper profits limit	2.00%	2.00%	2.00%
Note 1: From April 2020, this will be limited to employers with an employer NICs bill below £100,000 in the previous tax year.			
Pensions			
Annual allowance note 1	40,000	40,000	40,000
Lifetime allowance	1,000,000	1,030,000	1,055,000

Money purchase annual allowance – note 2	4,000	4,000	4,000
<p>1 The annual allowance is a limit to the total amount of contributions that can be paid to defined contribution pension schemes and the total amount of benefits that you can build up in defined benefit pension scheme each year, for tax relief purposes. The annual allowance is currently capped at £40,000 although a lower limit of £4,000 may apply if you have already started drawing a pension. From 2016/17 the annual allowance for those earning above £150,000 is to be reduced on a tapering basis by £1 for every £2 of income, subject to a minimum allowance of £10,000</p>			
Relief's and incentives			
Enterprise Investment Scheme (EIS) – maximum – note 1	1,000,000	1,000,000	1,000,000
Venture Capital Trust (VCT) - maximum	200,000	200,000	200,000
Enterprise Management Incentive Scheme (EMI) - employee limit up to the value of £250,000 in a 3-year period	250,000	250,000	250,000
Seed Enterprise Investment Scheme (SEIS) – maximum - note 2	100,000	100,000	100,000
Income tax relief on EIS schemes	30%	30%	30%
Income tax relief on VCT schemes	30%	30%	30%
Income tax relief on SEIS schemes	50%	50%	50%
<p>1 From 6 April 2018, the annual limit is doubled to £ 2 million, <u>provided</u> any amount over £ 1 million is invested in one or more 'knowledge-intensive companies'</p> <p>2 Capital gains tax reinvestment relief may also be available for investments made in 2018/19 on 50% of amount invested.</p>			
Individual Savings Account (ISA):			
ISA (NISA) annual limit	20,000	20,000	20,000
Junior ISA investment annual limit – under 18 living in the UK	4,128	4,260	4,368
Child value of Child Trust Fund annual limit	4,128	4,260	4,368
LISA- annual limit - note 1	4,000	4,000	4,000
<p>1 To open a Lifetime ISA you must be 18 or over but under 40. Contributions can be made until age 50. The government will add a 25% bonus to the savings, up to a maximum of £1,000 per year. The Lifetime ISA limit of £4,000 counts towards the annual ISA limit.</p>			
Capital gains tax			
Rate			
- basic rate tax payer	10%	10%	10%

- higher rate tax payer	20%	20%	20%
Gain on sale of residential property			
- basic rate tax payer	18%	18%	18%
- higher rate tax payer	28%	28%	28%
Annual exemptions – individuals (per year)	11,300	11,700	12,000
Certain trusts for disabled persons (per year)	11,300	11,700	12,000
Other trusts (per year)	5,650	5,850	6,000
Entrepreneurs/Investors Relief lifetime limit	10,000,000	10,000,000	10,000,000
Entrepreneurs/Investors Rate	10%	10%	10%
Chattels exemption	6,000	6,000	6,000
Inheritance tax			
Single persons nil rate band	1 - 325,000	1 - 325,000	1 - 325,000
Single persons 40% band	over 325,000	over 325,000	over 325,000
Residence nil rate band (RNRB) – maximum -note 2	100,000	125,000	150,000
Reduced rate - note 1	36%	36%	36%
IHT Rate (for chargeable lifetime transfers)	20%	20%	20%
Married couples or civil partnerships allowance nil rate band	650,000	650,000	650,000
Gifts to charities	Exempt	Exempt	Exempt
Small gifts to same person	250	250	250
General gifts- annual exemption	3,000	3,000	3,000
Wedding gifts from:			
Parent	5,000	5,000	5,000
Grandparent/party	2,500	2,500	2,500
Other person	1,000	1,000	1,000
Business Property Relief			
Business or interest in a business and transfer if unquoted shareholdings	100%	100%	100%
<i>1 The estate can pay Inheritance Tax at a reduced rate of 36% on some assets if you leave 10% or more of the 'net value' to charity in your will.</i>			

2 The RNRB is available in respect of a main residence given away to children (including adopted, foster or stepchildren). Any unused nil rate band transfers to the deceased's spouse or civil partner, even where death pre-dates the availability of the additional threshold. It applies in addition to the existing nil rate band (NRB) or threshold (currently £325,000) if the individual and estate meet the qualifying conditions.

Taxation of trusts			
Accumulation or discretionary trusts:			
Trust income up to £1,000 – dividend type income – Note 1	7.50%	7.50%	7.50%
Trust income up to £1,000 – all other income	20%	20%	20%
Trust income over £1,000 – dividend type income – note 1	38.10%	38.10%	38.10%
Trust income over £1,000 – all other income	45%	45%	45%
Interest in possession trusts:			
Dividend type income	7.50%	7.50%	7.50%
All other income	20%	20%	20%
1 Trustees do not qualify for the dividend allowance. This means trustees pay tax on all dividends depending on the tax band they fall within.			
Corporation tax			
All profits and gains (excluding determination agreements and diverted profits) - note 1	19%	19%	19%
S455 tax on all loans made by close companies to participator	32.50%	32.50%	32.50%
From 1 April 2020 the main rate of corporation tax will be reduced to 17%			
Capital Allowances			
Main writing down allowance (reducing balance)	18%	18%	18%
Special rate writing down allowance (reducing balance)	8%	8%	6%
Structures and Buildings allowance (SBA) – Note 1	NA	2%	2%
Motor Cars- if CO2 > 75g/km but do not exceed 110g/km (130g/km for 2017/18)	18%	18%	18%
Motor Cars- if CO2 > 110g/km (130g/km for 2017/18)	8%	8%	8%
Small pool write off where WDV is £1,000 or less	100%	100%	100%
(New and unused) CO2 emissions are 50g/km or less (75g/km 2017/18) - (or car is electric)	100%	100%	100%

First year allowances for certain energy-saving/water efficient products- Note 2	100%	100%	100%
Annual investment allowance (AIA) – Note 3	200,000	200,000 Increased to 1,000,000	1,000,000
Annual investment allowance	100%	100%	100%
<i>1 From 29 October 2018, capital allowances at a rate of 2% will be available for qualifying non-residential structures and buildings on a straight-line basis.</i>			
<i>2 From 1 April 2020 for incorporated businesses and from 6 April 2020 for unincorporated businesses, environmental enhanced capital allowances will be abolished.</i>			
<i>3 From 1 January 2019 the annual investment allowance will increase from £200,000 to £1m for investment made from 1 January 2019. This is temporarily increased for two years until 31 December 2020. The threshold will revert back to £200,000 from 1 January 2021.</i>			
Research and Development Tax Credit Rates			
SME Rate	230%	230%	230%
Research and development SME payable credit	14.5%	14.5%	14.5%
Research and development expenditure credit (RDEC) scheme – 12% from 1 January 2018	11%	12%	12%
Film/High-end TV/ Videogames tax relief	25%	25%	25%
Open ended investment companies and authorised unit trusts	20%	20%	20%
Patent Box			
Patent box Note 1	10%	10%	10%
<i>From 1 April 2017 patent box allows companies to elect to apply a 10% rate of corporation tax to 100% of profits from qualifying patents.</i>			
VAT			
Standard rate	20%	20%	20%
Reduced rate	5%	5%	5%
Zero rate	0%	0%	0%
Flat rate of VAT on gross turnover (For Limited Cost Trader)	16.5%	16.5%	16.5%
Normal scheme registration threshold	85,000	85,000	85,000
Deregistration threshold	83,000	83,000	83,000

Cash accounting scheme -maximum to join	1,350,000	1,350,000	1,350,000
Cash accounting scheme - exit threshold	1,600,000	1,600,000	1,600,000
Annual accounting scheme – maximum to join	1,350,000	1,350,000	1,350,000
Annual accounting scheme – exit threshold	1,600,000	1,600,000	1,600,000
Flat rate scheme – maximum allowed to join	150,000	150,000	150,000
Flat rate scheme exit threshold	230,000	230,000	230,000
Annual Tax on Enveloped Dwellings (ATED)			
More than £0.5m but not more than £1m	3,500	3,600	3,650
More than £1m but not more than £2m	7,050	7,250	7,400
More than £2m but not more than £5m	23,550	24,250	24,800
More than £5m but not more than £10m	54,450	56,550	57,900
More than £10m but not more than £20m	109,050	113,400	116,100
More than £20m	218,200	226,950	232,350

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