

H&F

for all your Home & Financial needs

ESTATE & LETTING AGENCY | LEGAL SERVICES | INSURANCES | ACCOUNTANCY | INVESTMENTS

SPRING BUDGET 2017

OBR PROJECTIONS

BUSINESS TAXATION

PERSONAL TAXATION

**ADDITIONAL SPENDING
& CONSUMER PROTECTION**

PRODUCTIVITY/EDUCATION

REGIONS

NHS AND CARE

"WE ARE BUILDING THE FOUNDATIONS OF A STRONGER, FAIRER, MORE GLOBAL BRITAIN"

SPRING BUDGET

MARCH 2017

In his first and last 'Spring Budget', the Chancellor of the Exchequer, Philip Hammond, declared a "new chapter" in the UK's history as the country embarks on its journey to exit the European Union via Brexit. Much of the Budget's focus was on social care and a rise in National Insurance costs for the self-employed. There was little that will significantly affect personal financial planning apart from a reduction next year in the £5,000 tax-free dividend allowance.

OBR PROJECTIONS:

Mr Hammond stated that the Office for Budget Responsibility (OBR) had confirmed "the continued resilience of our economy" and their Gross Domestic Product (GDP) projection had increased to 2% from their previous estimate of 1.4% in 2017.

Overall borrowing for 2017 is forecast at £51.7bn, some £16.5bn, lower than his Autumn Statement forecast of £68.2bn.

The Bank of England has a CPI inflation target of 2%; the OBR estimates the actual rate will reach 2.4% this year, 2.3% in 2018 and then 2% in 2019.

National debt is estimated for 2017 at 86.6% of GDP, and then 88.8% for 2018.

The UK's national debt now stands at almost £1.7 trillion or a sobering £62,000 per household.

BUSINESS TAXATION:

He left unchanged the already announced Corporation Tax plans, as the current 20% will be reduced to 19% from April 2017 and then to 17% by the 2020/21 tax year.

The planned contentious changes in Business Rates, which currently produce £25bn in revenue, will not be abolished. However, he suggested some amendments. Those businesses that had formerly been below the thresholds for the tax, but under the revaluations starting to pay the tax, will benefit from a £50 per month cap on any increase;

The dividend tax-free allowance, currently £5,000 pa, is to be reduced to £2,000 pa from April 2018; on the plus side, an increase in the annual ISA allowance by £4,760 to £20,000 from April 2017 had already been announced.



whilst public houses, with a rateable value of less than £100,000 (90% of all pubs), will also benefit from a £1,000 discount. Overall, the concessions will bring a reduction in government revenue of £435 million, as a £300 million fund will be established to distribute relief to businesses via their local authorities.

There will be a freeze on haulage companies' vehicle excise duty rates and HGV Road User Levy.

PERSONAL TAXATION:

On the personal taxation front, the Chancellor declared that the government will "support ordinary working families". The personal allowance, as previously announced, will rise from £11,000 to £11,500 for the 2017/18 tax year. For higher earners the threshold for paying higher rates will increase from the current £43,000 pa to £45,000 pa. These rates will increase respectively to £12,500 and £50,000 by the end of this parliament in 2020.

The self-employed and those operating out of a corporate structure – currently 15% of the working population will see substantial changes, as their National Insurance Contributions (NICs) will radically change. Class 2 contributions will be abolished as planned in 2018 and at the same time Class 4 contributions will be increased by one percentage point to 10%. This will raise annual revenue by £145 million.

The dividend tax-free allowance, currently £5,000 pa, is to be reduced to £2,000 pa from April 2018; on the plus side, an increase in the annual ISA allowance by £4,760 to £20,000 from April 2017 had already been announced. Alcohol and tobacco duty will increase only in line with the Retail Prices Index (RPI). The already announced NS&I bond will be made available from April 2017 and pay a 2.2% coupon, up to a total £3,000 investment over a term of three years.

Free childcare for working parents with three and four year olds will be doubled to 30 hours a week, costing the government £6bn pa by 2020. At the same time, they announced that £5 million will be



invested in 'returnships' for people within both the private and public sectors to help them back into the workplace.

The government will introduce a 25% charge on transfers to QROPS (Qualifying recognised overseas pension schemes), targeted at those looking to reduce the tax payable by moving their pension wealth to another jurisdiction. This measure applies to transfers to QROPS requested on or after 9 March 2017, exceptions apply. The Chancellor confirmed that the cut in the Money Purchase Annual Allowance from £10,000 to £4,000 previously announced, will be effective from 6 April 2017, limiting the extent to which pension savings can be recycled to take advantage of tax relief.

ADDITIONAL SPENDING & CONSUMER PROTECTION:

On this Budget Day, which was also 'International Women's Day', Mr Hammond pledged £35 million to support the campaign 'Violence Against Women and Girls', £12 million from Tampon Tax revenues to women's charities, and £5 million to celebrate the 1918 women's suffrage centenary.

He also announced the already headlined introduction of a Green Paper to protect consumers by simplifying companies' published 'Terms and Conditions', such as those with unclear financial implications.

PRODUCTIVITY/EDUCATION:

The government want to raise productivity and skills in both the education sector and workplace. He was quoted as saying that they "want our children to enjoy the same benefits as we did."

There are now 1.8 million more children in 'good' or 'outstanding' schools (as defined by OFSTED) than in 2010 and the number of young people not in jobs or education is now at its lowest rate.

His wish is that academically gifted children from all backgrounds will benefit from the 110 new 'Free Schools', adding to the existing commitment to 500. Increases in free travel and school meals are flagged and an additional £216 million investment over the next three years into existing schools infrastructure was announced.

A new 'T Level' qualification is to be introduced aimed at improving technical and digital education, directly linked to employers' job requirements. Those within the 16-19 age group will benefit from new maintenance grants amounting to £500 million being made available, in the same fashion as those currently available to university students.

A sum of £300 million is to be made available to nurture research talent and £270 million support for research projects into biotechnology, robotics and driverless vehicles, £16 million for a new 5G mobile hub and £200 million financial leverage for full-fibre broadband networks.

REGIONS:

The regions and devolved parliaments of the Union also benefit. Elected Mayors will be created for six major cities across the UK, as local authorities will be devolved greater powers from central government to control their own destinies.

The North will benefit from an additional investment of £90 million for road network improvements, whilst the Midlands will see a further £23 million.

Of the devolved parliaments of the Union, Scotland will be allocated an additional £350 million in funding, Wales £200 million and, Northern Ireland a proportionate £120 million.

NHS AND CARE:

Philip Hammond declared that: "We are the party of the NHS" as, to relieve pressure on medical resources, he announced additional grant funding of £2bn over the next three years for care of the elderly and social care. He clarified that £1bn of this sum would be allocated in the 2017/18 tax year.

He did, however, acknowledge that the whole subject of 'Social Care Funding' needed a "strategic approach" and urgent redress. To this end he proposed a Green Paper later this year.

Government funding in the NHS will increase by £4bn this year and by £10bn this parliament.

With A&E identified as the pinch-point in the service, £100m will be allocated to create dedicated on-site GP Triage services at hospitals to reduce the intake of non-urgent cases, to relieve pressure on the system.

The newly introduced calculation figures for 'Personal Injury' compensation for successful insurance claims, could, potentially, increase the NHS's liabilities in this area by over £1bn. It is the government's intention to protect the system against such additional costs, although the details of this were not made clear.

As he left the dispatch box, Mr Hammond declared: "... we embark on this next chapter of our history. Confident in our strengths. And clear in our determination. To build a stronger, fairer, better Britain."

Some Important Tax Rates for 2017/18

<h3>Tax-free Savings For Individuals 2017-18</h3> <ul style="list-style-type: none"> ISA allowance ➔ £20,000 Junior ISA allowance ➔ £4,128 Help to Buy ISA ➔ £2,400* (made up of monthly contributions of £200 max) *+£1,000 one-off contribution when the account is opened 	<h3>Dividend Taxation</h3> <p>£5,000 tax-free dividend allowance</p> <p>Dividends above this level will be taxed at;</p> <ul style="list-style-type: none"> ➔ 7.5% (basic rate) ➔ 32.5% (higher rate) ➔ 38.1% (additional rate) <p>The dividend allowance will be reduced to £2,000 from April 2018</p>	<h3>Income Tax Allowances</h3> <p>Income tax personal allowance increased to £11,500 from 6/4/17</p> <p>There is one income tax personal allowance regardless of an individual's date of birth</p>				
<h3>NEW from April 2017</h3> <p>Lifetime ISA (LISA) For adults up to the age of 40</p> <p>Save up to £4,000 each tax year Receive a government bonus of 25%* Use some or all of your money to buy your first home or use it to save for retirement* *Conditions and restrictions apply</p>	<h3>Personal Savings Allowance</h3> <p>up to £1,000 of savings interest tax free ➔ to basic rate taxpayers and £500 for those who pay higher rate tax</p>	<h3>Pension Annual Allowance</h3> <p>(AA) (was tapered from April 2016)</p> <p>The current AA of £40,000 will be tapered for anyone whose total 'adjusted income', including the value of any pension savings, is above £150,000.</p> <p>Their AA will be reduced by £1 for every £2 of income above £150,000, with a maximum reduction of £30,000</p>				
<h3>State pension</h3> <p>To rise by 2.5% in April '17 Flat rate state pension to rise 6/4/17 to ➔ £159.55</p> <p>applicable if you reached state pension age after 6/4/16 (35 qualifying National Insurance years needed) Old state pension rise to £122.30 from 6/4/17</p>						
<h3>Capital Gains Tax Allowance</h3> <p>Annual personal CGT exemption ➔ £11,300</p> <p>(Higher rates of 18% and 28% still apply to sales of residential property on the sale of second homes)</p>	<p>CGT levied at 10% for basic rate taxpayers ➔ or 20% for higher rate taxpayers*</p> <p>*On gains in excess of the personal exemption, exclusions apply</p>					
<h3>Inheritance Tax</h3> <p>Nil-rate IHT band £325,000</p> <p>40% IHT payable above this threshold</p> <p>or 36% if you leave at least 10% of your assets to charity</p>	<p>Additional main residence nil rate band (RNRB): Allowance introduced from April 2017 when a residence is passed on death to a direct descendant. The maximum available amount of RNRB will increase yearly</p> <p>For the 2017/18 tax year the allowance will be £100,000</p> <p>Gradually increasing to £175,000 by 2020/21</p> <p>This will be subject to a maximum estate value of £2m</p>	<h3>Other IHT-free gifts, include;</h3> <table border="1"> <tr> <td>Gifts between UK domiciled husband or wife or between civil partners;</td> <td>Small gifts to other recipients up to £250 each in a year</td> <td>Total gifts up to £3,000 in a year (can be carried forward one tax year)</td> <td>Gifts in consideration of marriage or civil partnership ranging from £5,000 from each parent of the couple, to £1,000 from anyone else</td> </tr> </table> <p>Chargeable lifetime transfers and potentially exempt transfers attract taper relief, if made up to seven years before death on the amount of gift over the nil rate band</p>	Gifts between UK domiciled husband or wife or between civil partners;	Small gifts to other recipients up to £250 each in a year	Total gifts up to £3,000 in a year (can be carried forward one tax year)	Gifts in consideration of marriage or civil partnership ranging from £5,000 from each parent of the couple, to £1,000 from anyone else
Gifts between UK domiciled husband or wife or between civil partners;	Small gifts to other recipients up to £250 each in a year	Total gifts up to £3,000 in a year (can be carried forward one tax year)	Gifts in consideration of marriage or civil partnership ranging from £5,000 from each parent of the couple, to £1,000 from anyone else			

homeandfinance.org

Home and Finance I.F.A. Ltd

14 New Market Street, Ulverston, Cumbria LA12 7LN T (01229) 583691

Authorised and regulated by the Financial Conduct Authority.

It is important to take professional advice before making any decision relating to your personal finances. Information within this document is based on our current understanding of taxation and HMRC rules and can be subject to change in future. It does not provide individual tailored investment advice and is for guidance only. **Some rules may vary in different parts of the UK**; please ask for details. We cannot assume legal liability for any errors or omissions it might contain. Levels and bases of, and reliefs from taxation are those currently applying or proposed and are subject to change; their value depends on the individual circumstances of the investor.