Green Financial Advice Limited
Bective House,
10 Bective Place,
London, SW15 2PZ

Tel: 0800 170 7400
Email: info@iangreen.com
Web: www.iangreen.com

Green
FINANCIAL ADVICE LIMITED

FACTSHEET

Budget 2016

Have you assessed the impact on your financial plans?

Chancellor of the Exchequer George Osborne delivered his eighth Budget speech on Wednesday 16 March, his third in 12 months. This is our summary of the key announcements, and how they could impact on your finances today and in future years to come.

THE PERSONAL ALLOWANCE WILL INCREASE TO £11,500, AND THE HIGHER-RATE THRESHOLD WILL RISE TO £45,000 IN APRIL 2017

The Personal Allowance is the amount of income you can earn before you start paying Income Tax. This increased to £11,000 in 2016/17, and will now increase further to £11,500 in April 2017.

The point at which you pay the higher rate of Income Tax increased from £42,385 to £43,000 in 2016 and will increase to £45,000 in April 2017.

LIFETIME INDIVIDUAL SAVINGS ACCOUNT (LISA): A NEW £4,000 LISA THAT YOU CAN USE TO SAVE FOR RETIREMENT OR TO BUY YOUR FIRST HOME

From April 2017, any adult under 40 will be able to open a new Lifetime ISA (LISA). Up to £4,000 can be saved each year, and savers will receive a 25% bonus from the Government on this money.

Money put into this account can be saved until someone is over 60 and used as retirement income, or can be withdrawn to help purchase a first home.

The total amount an adult can save each year into all ISAs will also be increased from £15,240 to £20,000 from April 2017.

NEW HELP TO SAVE SCHEME

A new Help to Save scheme is to be launched for people on low incomes, providing a 50% government bonus on up to £50 of monthly savings.

NEW TAX ALLOWANCES FOR MONEY EARNED BY 'MICRO-ENTREPRENEURS'

From April 2017, there will be two new tax-free £1,000 allowances – one for selling goods or providing services, and one income from property you own.

People who make up to £1,000 from occasional jobs will no longer need to pay tax on that income.

In the same way, the first £1,000 of income from property will be tax-free.

The introduction of these new allowances should help simplify taxation in the sharing economy.

CAPITAL GAINS TAX RATES CUT FROM 6 APRIL 2016, BUT RESIDENTIAL PROPERTY IS STILL TAXED AT EXISTING RATES

Capital Gains Tax (CGT) is a tax on the gain you make when you sell something (an 'asset') that has gone up in value. It is paid at a basic or higher rate depending on the rate of Income Tax you pay.

From April 2016, the higher rate of CGT has been cut from 28% to 20%, and the basic rate from 18% to 10%.

There is an additional 8% surcharge to be paid on residential property and carried interest (the share of profits or gains that is paid to asset managers).

CGT on residential property does not apply to your main home, only to additional properties (for example, a flat that you let out).

This enables investors to benefit by realising the profit on the sale of shares and other assets at the reduced rate of tax.

INSURANCE PREMIUM TAX (IPT) WILL BE INCREASED BY 0.5%

Insurance Premium Tax (IPT) increased by 0.5%, making the tax 10%. IPT is the amount insurers are taxed, which they then pass on to consumers. In July 2015, Mr Osborne announced an increase in the tax from 6% to 9.5%, which took effect in January this year.

Among other things, IPT is charged on medical insurance.

CORPORATION TAX WILL BE CUT AGAIN TO 17% IN 2020

The main rate of Corporation Tax will be cut again to 17% in 2020.

Green Financial Advice Limited
Bective House,
10 Bective Place,
London, SW15 2PZ

Tel: 0800 170 7400
Email: info@iangreen.com
Web: www.iangreen.com

FACTSHEET

EMPLOYERS WILL PAY NATIONAL INSURANCE ON PAY-OFFS ABOVE £30,000 FROM APRIL 2018

From April 2018, employers will need to pay National Insurance contributions on pay-offs (for example, termination payments) above £30,000 where Income Tax is also due.

For people who lose their job, payments up to £30,000 will remain tax-free, and they will not need to pay National Insurance on any of the payment.

CLASS 2 NATIONAL INSURANCE CONTRIBUTIONS (NICS) FOR SELF-EMPLOYED PEOPLE WILL BE ABOLISHED FROM APRIL 2018

Currently, self-employed people have to pay Class 2 NICs and also Class 4 NICs.

From April 2018, if you are self-employed you will only need to pay one type of National Insurance on your profits: Class 4 NICs.

Paying Class 2 NICs currently enables self-employed people to build entitlement to the State Pension and other contributory benefits.

After April 2018, Class 4 NICs will also be reformed so self-employed people can continue to build benefit entitlement.

WORKPLACE ADVICE TAX BOOST

Tax reliefs offered on employer-arranged advice as part of a series of measures to boost take-up are to be extended.

Currently, companies can pay up to £150 per employee per year towards the cost of pension advice before they are subject to a benefit-in-kind tax charge.

The Government has proposed raising the exemption to £500 in April 2017. In addition, the Treasury will consult on allowing people to withdraw up to £500 tax-free from their defined contribution scheme to redeem against the cost of advice.

EXTENSION OF ENTREPRENEURS' RELIEF

Previously, a disposal of shares in a qualifying company only attracted Entrepreneurs' Relief (ER) when the individual was an employee and owned at least 5% of the share capital and voting rights for the 12-month period prior to the sale of the shares. ER will now be extended in the form of investors' relief to external investors purchasing newly issued shares in unlisted trading companies on or after 17 March 2016 that are held for a period of at least three years from 6 April 2016. Investors' relief will be subject to a lifetime cap of £10m.

NEW STAMP DUTY RATES FOR COMMERCIAL PROPERTY

The way stamp duty on freehold commercial property and leasehold premium transactions is calculated has changed. Since 17 March 2016 the rates apply to the value of the property over each tax band.

The new rates and tax bands are:

£0 – £150,000	0%
£150,001 – £250,000	2%
above £250,000	5%

Stamp duty rates on new non-residential leases have also changed with a new 2% stamp duty rate on leases with a net present value over £5m.

CUTTING BUSINESS RATES FOR ALL RATEPAYERS

From April 2017, small businesses that occupy property with a rateable value of £12,000 or less will pay no business rates.

Currently, this 100% relief is available if you're a business that occupies a property, for example, a shop or office with a value of £6,000 or less.

There will be a tapered rate of relief on properties worth up to £15,000.

TAX AVOIDANCE CRACKDOWN

Plans have been laid out to raise £12bn by the end of this Parliament through a package of measures to target tax avoidance. The Government will introduce new measures to tackle disguised remuneration and make sure UK tax is paid on property development.

The Treasury will seek to introduce Capital Gains Tax on performance rewards and limit exempt gains, as well as introducing new measures to limit the ability of individuals to work as 'personal service companies'.

For firms making profits over £5m, the ability to use past losses to offset profits will be capped at 50%, with further rules to limit the ability of multi-national companies to borrow in the UK to fund activities abroad.

TAX CHANGES ON LOANS TO A SHAREHOLDER

Private companies can make a loan to a shareholder in preference to a dividend, which under current tax rules can be advantageous as the tax rate on such a loan is 25%, while a dividend could be taxed up to 38.1%.

It was announced in Budget 2016 that the company loan rate will change to 32.5% to bring the rate in line with the tax a higher-rate taxpayer would pay on a dividend. Company owners in future will have to consider the costly implications of making a loan to their shareholders rather than a dividend. ■

ARE YOUR FINANCIAL PLANS STILL ON TRACK AFTER BUDGET 2016?

There are likely to have been a number of key announcements in this Budget that could have a bearing on your current and future financial plans. To review what action you may be required to take to keep your plans on track, please contact us.

Information is based on our current understanding of taxation legislation and regulations. Any levels and bases of, and reliefs from, taxation are subject to change. Tax treatment is based on individual circumstances and may be subject to change in the future. Although endeavours have been made to provide accurate and timely information, we cannot guarantee that such information is accurate as of the date it is received or that it will continue to be accurate in the future. No individual or company should act upon such information without receiving appropriate professional advice after a thorough review of their particular situation. We cannot accept responsibility for any loss as a result of acts or omissions.