

Spring Statement 2017 Overview

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The Chancellor has delivered his first and last Spring Budget. From now on, the Budget will be delivered in the autumn, with the next one announced for autumn 2017.

The Budget itself was very quiet, with changes to National Insurance contributions for the self-employed and a reduction in the dividend tax allowance being the key points.

Below we have summarised some of the key changes, many of which take effect from April 2017. A large number of these had already been announced before the Spring Budget. Bear in mind that until these are passed into legislation, there is still the potential for change.

This is not intended as tax advice. It is for information purposes only so please do not act on the contents without taking advice first. Queries on any of the areas covered in this summary should be directed at Justin Small, James Cox or Scott Inglis by email or by phone on 020 7287 2225.

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Personal Tax

Personal Allowance and Higher Rate Threshold

The Personal Allowance will rise from £11,000 to £11,500 in 2017/18. The point at which higher rate income tax kicks in will increase from £43,000 this year, to £45,000 in 2017/18. Once the Personal Allowance reaches £12,500 (planned for 2020), it will increase in line with inflation.

Dividend allowance

Will reduce from £5,000 to £2,000 from April 2018. This will reduce the tax difference between the self-employed and those working through a company.

National Insurance Contributions (NICs): increasing for the self-employed

Currently, the self-employed may have to pay both Class 4 and Class 2 NICs:

- Class 4 NICs at 9% are paid on profits between £8,060 and £43,000
- Class 2 NICs are paid on profits of £5,965 or more

From 2018, Class 2 NICs will be abolished. Class 4 NICs will rise to 10% in April 2018 and to 11% in April 2019.

Taken together, only a self-employed person with profits over £16,250 will have to pay more as a result of these changes.

National Insurance contributions: alignment primary and secondary thresholds

The Primary and Secondary Thresholds for employee and employer NI contributions will be aligned at £157pw from April 2017 (once income exceeds this level, NI becomes payable).

Non-domiciled individuals

As announced at Summer Budget 2015, from April 2017 non-UK domiciled individuals ('non-doms') will be deemed domiciled in the UK for tax purposes where they have been UK resident for 15 of the past 20 tax years.

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Savings and Investments

Life insurance policies (Life Assurance Bonds) – part surrenders and part assignments

The government will legislate to change the tax rules for part surrenders and part assignments of life insurance policies. The issue is that chargeable gains can arise where a large part surrender occurs early in the lifetime of the policy. This can result in income tax liabilities for a higher rate taxpayer even though the investment has in reality shown little or no growth. The changes will allow policyholders who have generated a wholly disproportionate gain to apply to HMRC to have it recalculated on a just and reasonable basis (the calculation basis has not been revealed as yet). These changes will have effect from Royal Assent of Finance Bill 2017.

ISA

The ISA subscription limit increases from £15,240 to £20,000 from 6th April 2017. All types of ISA subscription use up part of this limit (except Junior ISA subscriptions).

Junior Individual Savings Accounts (ISAs) and Child Trust Fund limit

The annual subscription limit for Junior ISAs and Child Trust Funds will be updated in line with the Consumer Prices Index (CPI) to £4,128.

Lifetime ISA (LISA)

The Lifetime ISA will be available from 6th April this year. The Lifetime ISA will allow younger adults to save up to £4,000 each year and receive a bonus of up to £1,000 a year on these contributions. Funds can be withdrawn tax-free to put towards a first home or saved until a person turns 60.

New National Savings bond

A new savings bond will be available through National Savings & Investment (NS&I) from April 2017. The Chancellor has confirmed that the bond will have an interest rate of 2.2% gross, and a term of three years. Savers over the age of 16 will be able to deposit up to £3,000, with a minimum investment of £100. The government expects around two million people to benefit from the new bond, which will be available for 12 months from April 2017.

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Pensions and Social Care

Reducing the money purchase annual allowance (MPAA)

The Money Purchase Annual Allowance is the cap on annual pension contributions for individuals aged over 55, who have already drawn on their pension. The cap is currently £10,000 pa, but will be reduced to £4,000 pa from April 2017.

Salary sacrifice

From April 2017, employers and employees who use salary sacrifice schemes to receive various non-cash benefits in kind will pay the same tax as if the benefit in kind had been received as cash. However, salary sacrifice in lieu of employer pension contributions are excluded from this change (along with pension advice, ultra-low emission cars, childcare, and the cycle-to-work scheme).

All arrangements in place before April 2017 will be protected for up to a year, and arrangements in place before April 2017 for cars, accommodation and school fees will be protected for up to four years.

Foreign pensions

The tax treatment of foreign pensions will be more closely aligned with the UK's domestic pension tax regime by bringing foreign pensions and lump sums fully into tax for UK residents, to the same extent as domestic ones.

Tax-Free Childcare

Tax-Free Childcare will provide up to £2,000 a year in childcare support for each child under 12 (up to £4,000 for disabled children up to the age of 17). Parents of younger children will be able to apply for the scheme first, with all eligible parents able to access the scheme by the end of the year.

Insurance Premium Tax

Insurance Premium Tax (IPT)

IPT will increase from 10% to 12% in June 2017. IPT is a tax on insurers and it is up to them whether and how to pass on costs to customers.

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Business Tax

National living wage / national minimum wage

The National Living Wage for those aged 25 and over will increase from £7.20 per hour to £7.50 per hour from April 2017. That means over £1,400 a year more for a full-time worker previously on the National Minimum Wage.

The National Minimum Wage will also increase from April 2017:

- for 21 to 24 year olds – from £6.95 per hour to £7.05
- for 18 to 20 year olds – from £5.55 per hour to £5.60
- for 16 to 17 year olds – from £4.00 per hour to £4.05
- for apprentices – from £3.40 per hour to £3.50

Corporation tax

The main rate of corporation tax will be 19%, for the years starting the 1st April 2017, 2018 and 2019, then 17% for the year starting April 2020.

Tax Rates and Thresholds for 2017/2018

Full details of tax and tax credit rates and thresholds for 2017/18 are available [here](#).



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