

## Guide from Clark Hearsey

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|   | 2017/18             | 2018/19             | 2019/20                           |
|---|---------------------|---------------------|-----------------------------------|
|   | £                   | £                   | £                                 |
| <b>Income tax rates not including Scotland - (non-dividend income)</b>  |                     |                     | <b>As announced or unchanged</b>  |
| 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 –<br>45,000  | 11,851 –<br>46,350  | 12,501 –<br>50,000                |
| 40% higher rate tax   | 45,001 –<br>150,000 | 46,351 –<br>150,000 | 50,001 –<br>150,000               |
| 45% additional rate tax   | Above 150,000       | Above<br>150,000    | Above<br>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> |                     |                     |                                   |
| <b>Scottish rates of income tax</b>   |                     |                     | <b>Budget date<br/>12/12/2018</b> |
| 19% - starting rate   |                     | 11,850 –<br>13,850  |                                   |
| 20% basic rate tax  |                     | 13,851 –<br>24,000  |                                   |

|   |        |                                 |              |
|---|--------|---------------------------------|--------------|
| 21% intermediate rate tax   |        | 24,001 –<br>43,430              |              |
| 41% higher rate tax   |        | 43,431 –<br>150,000             |              |
| 46% top rate  |        | Above150,000                    | Above150,000 |
| <b>Notes on changes to the Welsh tax system from 6 April 2019</b>   |        | <b>Budget date<br/>18/12/18</b> |              |
| <p>1 <i>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.</i></p> <p>2 <i>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.</i></p> <p>3 <i>Personal allowance and basic rate limit is set same for 2020-21 as in 2019-20. Future increase will be indexed with the CPI.</i></p> |        |                                 |              |
| <b>Income tax rates – (dividend income new rules from 6/4/2016)</b>   |        |                                 |              |
| 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%       |
| <b>Child benefit/Guardian's allowance rates</b>   |        |                                 |              |
| 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 <i>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.</i></p>   |        |                                 |              |
| <b>Personal allowances</b>  |        |                                 |              |
| 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>  |                 |                 |                 |
| <b>National insurance</b>  |                 |                 |                 |

|  |        |        |        |
|--|--------|--------|--------|
| 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. |        |        |        |
| <b>Pensions</b>  |        |        |        |
| 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> |           |           |           |
| <b>Relief's and incentives</b>  |           |           |           |
| 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>  |           |           |           |
| <b>Individual Savings Account (ISA):</b>  |           |           |           |
| 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>  |           |           |           |
| <b>Capital gains tax</b>  |           |           |           |
| 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        |
| <b>Inheritance tax</b>  |              |              |              |
| 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%         |

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.

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.

| <b>Taxation of trusts</b>  |        |        |        |
|--|--------|--------|--------|
| 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. |        |        |        |
| <b>Corporation tax</b>   |        |        |        |
| 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%  |        |        |        |
| <b>Capital Allowances</b>  |        |        |        |
| 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 CO <sub>2</sub> > 75g/km but do not exceed 110g/km (130g/km for 2017/18)  | 18%    | 18%    | 18%    |
| Motor Cars- if CO <sub>2</sub> > 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<br>Increased to<br>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> |         |                                      |           |
| <b>Research and Development Tax Credit Rates</b>   |         |                                      |           |
| 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%       |
| <b>Patent Box</b>  |         |                                      |           |
| 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>   |         |                                      |           |
| <b>VAT</b>   |         |                                      |           |
| 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   |
|   |           |           |           |
| <b>Annual Tax on Enveloped Dwellings (ATED)</b> |           |           |           |
| 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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