

Budget 2017

Summary of the Budget Statement

8 March 2017

The changes announced in the Chancellor's spring Budget 2017 may affect both your day-to-day finances and your longer term plans. This summary is designed to help you understand how these changes might affect you, your family and business.

The spring Budget, as previously announced, marks the transition to a single fiscal event each year, which will take the form of an autumn Budget.

Spring Budget 2017

"By investing in the future, the Budget helps make the most of the opportunities ahead by laying the foundations of a stronger, fairer, better Britain – a country that works for everyone."

PHILIP HAMMOND, CHANCELLOR OF THE EXCHEQUER
BUDGET STATEMENT, 8 MARCH 2017

Personal taxation

Income Tax

The 2017/18 Personal Allowance increases from £11,000 to £11,500 and the Higher Rate tax threshold will increase from £43,000 to £45,000.

In addition, from 6 April 2017, there will be a £1,000 allowance against property income and a £1,000 allowance against trading income.

***These rates apply to UK taxpayers who are not Scottish taxpayers**

National Insurance Contributions (NICs)

- Currently, the self-employed may have to pay both Class 4 and Class 2 NICs.
- From April 2018, Class 2 NICs will be abolished.
- The main rate of Class 4 NICs will increase from current rate of 9% to 10% in April 2018 and to 11% in April 2019.

Employees will ordinarily pay Class 1 NICs, and the rates for these remain unchanged at 12% up to the Upper Earnings Limit and 2% above this. Please refer to gov.uk for full details.

Inheritance Tax

The Inheritance Tax (IHT) Nil Rate Band remains unchanged at £325,000. However one major amendment to IHT rules is regarding the main residence. Starting in 2017, each individual receives an additional £100,000 allowance in respect of their main residence if this is left to direct descendants. This is planned to increase in stages over the next few years, to £175,000 by tax year 2020/21. This will mean that by 2021, couples with a sufficient property value can potentially leave £1 million free of IHT.

Saving and Investing

Individual Savings Accounts (ISAs)

For the 2017/18 tax year the overall ISA subscription limit will increase to £20,000 (from £15,240 for tax year 2016/17).

The Lifetime ISA

The introduction of the Lifetime ISA was announced in 2016, for 6 April 2017 launch.

The Lifetime ISA is designed for individuals to save towards the purchase of their first property (up to a limit of £450,000) and/or to save towards retirement. It will be available from 6 April 2017 for those aged 18 or over but under 40 with an annual payment limit of £4,000 per tax year. For every pound saved, the government contributes a 25% bonus.

Terms and conditions will apply including a 25% charge (payable to HMRC) on amounts withdrawn for certain types of withdrawal – for full details please refer to gov.uk website.

NS&I Bonds

The Chancellor confirmed the rate for the previously announced NS&I Investment Bond. The rate will be 2.2% Gross AER, over a term of 3 years and will be available for 12 months from April 2017, to anyone aged 16 and over, holding a UK bank account. Minimum investment will be £100 and maximum will be £3,000.

Capital Gains Tax

If you are a basic rate income tax payer then Capital Gains Tax is chargeable at 18% on your gains from residential property, and 10% on your gains from other chargeable assets for the 2017/18 tax year. If you are a higher or additional rate income tax payer then you'll pay 28% and 20% respectively.

Landlords

Landlords with buy-to-let mortgages will see adjustments to how they calculate their profits. The new rules, which will be phased in over 4 years from April 2017, will mean that landlords who are higher or additional rate tax payers may face a higher tax liability than at present.

Dividend Allowances

The dividend allowance was introduced in April 2016 to replace the dividend tax credit. The dividend allowance is the amount of dividends an individual can earn as a result of share dividends, without paying income tax. The Chancellor announced a reduction in the dividend allowance with effect from April 2018.

The dividend allowance for 2016/2017 and 2017/2018 is £5,000. From April 2018 this will be decreased to £2,000.

The tax rates which apply over the dividend allowance are 7.5% on dividend income within the basic rate band, 32.5% on dividend income within the higher rate band, and 38.1% on dividend income within the additional rate band.

Expatriate Pensions

The Chancellor announced the introduction of a 25% tax charge when transferring UK pensions overseas to a Qualifying Recognised Overseas Pension Scheme (QROPS) from 9th March 2017.

There will be exceptions for certain categories of people deemed to have a genuine need to transfer their pensions.

Further details of the charge and impacted individuals can be found on gov.uk.

Business and industry

It was confirmed that the headline rate of corporation tax will fall to 17% by 2020. The present rate of 20% will reduce to 19% from 6 April 2017.

Small businesses and landlords under the VAT registration threshold will have an extra year to prepare for Making Tax Digital (MTD).

Business rates revaluation: Three measures were announced to help struggling firms:

- 1) Any business coming out of small business rate relief will get a cap - business rates bills will not increase by more than £50 a month
- 2) For pubs - there will be £1,000 discount on business rates for those with a rateable value less than £100,000
- 3) Local councils to get a fund of £300m for discretionary relief for individual cases

Other Taxes

Other direct and indirect taxes may have an impact on your personal income; some of these are summarised below;

Insurance Premium Tax (IPT)

IPT was previously announced to be increasing from 10% to 12% from 1 June 2017.

Tobacco duty rates

As announced in the 2014 Budget, duty rates on all tobacco products will increase by 2% above RPI Inflation. The RPI Inflation figure currently quoted is 2.6%. This price increase will come into effect from 6pm on 8 March 2017.

In addition the Chancellor announced the introduction of a Minimum Excise Tax for cigarettes, which is specifically stated to target the cheapest tobacco products. The rate will be set at £268.63 per 1000 cigarettes. It will take effect from 20 May 2017.

Alcohol

From 13 March 2017, the duty rates on beer, cider, wine and spirits will increase by RPI Inflation.

Motoring

Vehicle Excise Duty has gone up by RPI with effect from 1 April 2017.

Soft Drinks Industry Levy

The levy rate for added sugar drinks with a total sugar content of 5 grams or more per 100ml will be set at 18 pence per litre, and those above 8 grams per 100ml will be set at 24 pence per litre. £1bn from this tax will be invested in school projects.

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The value of the tax benefits described depends on individual circumstances. The tax rules may change in the future.

Remember the value of investments and any income from them can fall as well as rise and you may not get back what you invested. For some investments this can happen as a result of exchange rate fluctuations as shares and funds may have an exposure to overseas markets.

This document and any statements concerning tax are intended to be general guidance only and do not constitute tax or legal advice. The comments are based on our understanding and interpretation of the Budget Statement, current UK tax law and HM Revenue and Customs practice as at 8 March 2017.

Issued by HSBC Bank plc.

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