

Autumn Budget 2017 – Some Key Takeaways

Overview

On Wednesday 22 November 2017 Philip Hammond delivered his first Autumn Budget. It proved to be a fairly low key speech that did not contain any big financial announcements or surprises. Thankfully, and despite a flurry of pre-Budget rumours, the speech was also quiet on pensions except for confirming the expected increase to the Standard Lifetime Allowance.

Pensions

Standard Lifetime Allowance (SLA)

The SLA (the maximum that can be drawn from pensions without triggering an extra tax charge) will increase as expected from £1,000,000 to £1,030,000 for individuals taking benefits in the 2018/19 tax year. This is in line with the 3% increase in the Consumer Prices Index in September 2017. Although only a relatively small increase it is good to see this limit going in the right direction again following successive reductions.

Personal Taxation and Savings

The Personal Allowance (England, Wales and Northern Ireland)

The personal allowance will increase from £11,500 to £11,850 in April 2018. The basic rate tax band will also increase from £33,500 to £34,500 meaning that individuals will need to be earning more than £46,350 before they pay higher rate tax. There is no change to the additional rate tax threshold which will still apply to income above £150,000.

Employee National Insurance Contributions.

The primary National Insurance threshold – the amount of income employees need before they start paying National Insurance rises from £157 per week to £162 per week.

The Upper Earnings Limit – the limit for the higher 12% rate of National Insurance - rises from £866 of earnings per week to £892 per week.

The rate of National Insurance for employees is 2% above £892 of earnings per week.

The Dividend Tax Allowance

Following an announcement in the March 2017 Budget the Chancellor confirmed that the Dividend Tax Allowance will reduce from £5,000 down to £2,000 from 6 April 2018. This means that investors in shares, investment trusts, OEIC's or unit trusts who receive dividend income of more than £2,000 will now be taxed at the relevant rates.

Any income received above the tax free dividend allowance is taxed at either 7.5%, 32.5% or 38.1% depending on the individual's marginal rate of income tax.

Capital Gains Tax

The annual exemption for individuals will increase from £11,300 in 2017/18 to £11,700 in 2018/19.

ISA's (including the new Lifetime ISA [or LISA])

The main ISA allowance will remain at £20,000 for the 2018/19 tax year although the Junior ISA and child trust fund limits will rise to £4,250.

Other Issues

Inheritance Tax

There are no changes to Inheritance Tax rates or allowances for 2018/19 and therefore the Nil-rate band of £325,000 that has been in place since 2010, will remain in place and will be frozen until at least 2019. However, the previously announced changes will continue to take effect as below.

The Residence Nil-rate Band (RNRB) was introduced in April 2017. This is essentially an extra allowance on top of the standard Nil-rate band of £325,000 that applies to the first part of an individual's estate on which no IHT is paid. This extra allowance is generally available where an individual dies after 6 April 2017 and their home is passed on to a direct descendant such as a child or grandchild. The RNRB will increase from £100,000 to £125,000 in 2018/19. It is then due to increase by £25,000 every year until it becomes £175,000 in 2020/21. It will then be increased in line with CPI indexation from 2021 onwards. Where the net estate is worth more than £2 million the additional nil-rate band will be reduced by £1 for every £2 above this threshold.

Stamp Duty Land Tax (SDLT) changes (England, Wales and Northern Ireland)

The Chancellor abolished SDLT for first time buyers purchasing homes worth up to £300,000 with immediate effect. This was also extended to properties valued at up to £500,000 where first time buyers would also be exempt from SDLT on the first £300,000.

Finally, a reminder of what's still in place for the 2018/19 tax year

Standard Lifetime Allowance

As covered in previous Budget Summaries it is still possible for individuals to protect their pension savings from the reduction in the SLA from £1.25m to £1m that took place in April 2016. Fixed Protection 2016 and Individual Protection 2016 options are still available where applicable. These can be applied for by using the HMRC online system.

It should be remembered that those applying for Fixed Protection 2016 will need to have ceased pension contributions and/or benefit accrual by 5 April 2016.

Those applying for Individual Protection 2016 will need to have a fund value of between £1m and £1.25m as at 5 April 2016.

Tapered Annual Allowance (AA) for High Earners

Since April 2016 those with “Adjusted Income” of £150,000 or above and a “Threshold Income” of over £110,000 will see their AA reduced on a two for one tapering basis from the standard £40,000 down to a minimum of £10,000 which would apply where “Adjusted Income” is £210,000 or higher.

It should be remembered that even when a reduced AA applies it will still be possible to carry forward any unused AA from the previous 3 tax years. Using the carry forward facility could reduce the impact of the tapered AA in the short term for those affected by the changes.

The definitions of “Adjusted Income” and “Threshold Income” are not straightforward and therefore it is recommended that any individuals who think they may be affected should take professional financial advice.

The standard Annual Allowance will remain unchanged at £40,000 for the 2018/19 tax year.

Any questions?

The above is only a brief summary of a few of the main changes announced in the Autumn Budget 2017. If you think you may be affected by any of the above or would simply like to receive further information you can contact your usual Goddard Perry Consultant or as below:

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The above is based on Goddard Perry’s understanding of the Autumn Budget 2017, the current law and HM Revenue and Customs practises which may change.

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