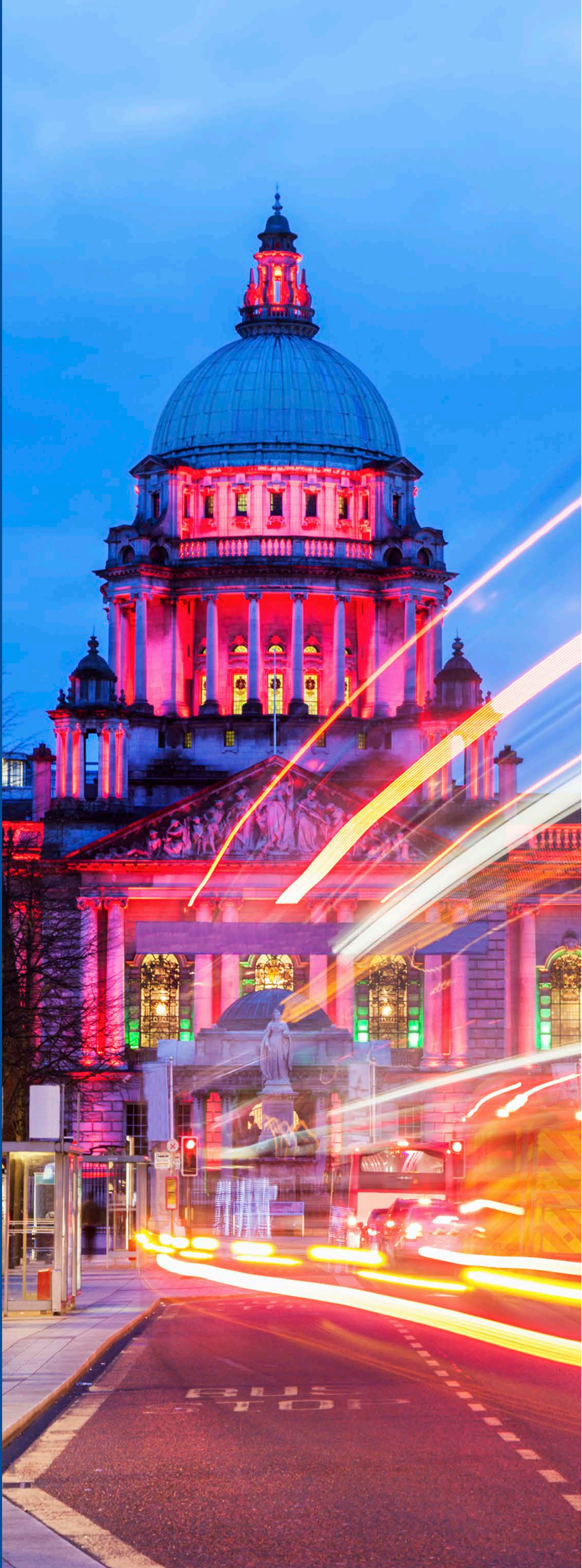
Taxing Times

UK Spring Budget 2017

March 2017
kpmg.ie



KPMG is Ireland's leading Tax practice with 600 tax professionals based in Belfast, Dublin, Cork and Galway. Our clients range from dynamic and fast growing family businesses to individuals, partnerships and publicly quoted companies.

KPMG tax professionals have an unrivalled understanding of business and industry issues, adding real value to tax based decision making.

KPMG's tax services include:

- Corporate Tax
- Private Client Services
- International Executive Services
- VAT
- International and Cross Border Tax

Foreword

Johnny Hanna
Partner and Head of Tax
KPMG in Northern Ireland

Earlier today, the Chancellor delivered what he expects to be the last UK Spring Budget against the backdrop of a UK economy that has performed better than many economic forecasters had predicted, particularly in the wake of last June's referendum.

With the move to an annual UK Autumn Budget later this year, it had been widely expected that the Chancellor would adopt a cautious approach with little in the way of substantial tax reform or tax "giveaways". Such media speculation proved to be fairly accurate with the Chancellor no doubt mindful of the economic challenges that may lie ahead as the UK seeks to negotiate the terms of its departure from the EU.

It was a fairly quiet Budget in terms of new corporation tax measures (perhaps not surprising given the very substantial and wide-ranging impact of legislative changes now taking effect for anti-hybrid financing, tax relief for interest costs and new rules for relieving tax losses (to name just a few)). The Chancellor did take the opportunity to reiterate the UK's commitment to retaining a highly competitive business tax regime and to reducing the main rate of corporation tax to 19 percent from April 2017 and to 17 percent by 2020 which businesses will welcome.

Some tax-raising measures were announced by the Chancellor in addition to the usual excise duty items. The most significant of these focused on the tax burden differential suffered by self-employed (including those engaged by personal service companies) and employed individuals and shareholders, with NIC changes and a reduction in the annual dividend allowance from £5k to £2k from April 2018. It remains to be seen whether this is a theme that could reappear in future changes to the UK tax regime. Also of interest is the ongoing increase in tax yield sought from UK real estate, as offshore developers and corporate investors are more likely to pay UK taxes on development profits and a consultation on the taxation of rental income goes ahead.

From a Northern Ireland perspective, the message (buried within the small detail of accompanying Budget documentation) seemed pretty clear. The legislation in relation to the North's 12.5 percent corporation tax rate regime has now been amended and "is ready for commencement" (in April 2018) however this will only happen if the Northern Ireland Executive demonstrates its finances are on a "sustainable footing". Local businesses (and potential investors) will hope that a political agreement, the re-formation of a new Executive and a settled (and sustainable) budget can emerge from the ashes of the recent election!

Johnny Hanna
KPMG in Northern Ireland

Personal Taxes

Philip Caughey
Director

The Chancellor said in his speech – "...there is a parallel unfairness in the treatment of those working through their own companies... we must ensure that our corporation tax regime does not encourage people across the economy to form companies simply to reduce tax liabilities."

A number of measures have been put forward to address this perceived unfairness and this is reflected in some of the changes considered below.

Class 4 NIC rate increase

We are already aware that Government's intention was to abolish Class 2 NIC from April 2018. However, the Government announced today that it would, in turn, increase the main rate of Class 4 NICs from 9 percent to 10 percent with effect from 6 April 2018. This is set to increase further to 11 percent from 6 April 2019.

Dividend Allowance Reduction

The Government is set to reduce the tax-free allowance for dividend income from £5,000 to £2,000. This reduction is due to be introduced from April 2018.

Trading & Property Income Allowance

As previously announced in the 2016 Budget and 2016 Autumn Statement, the Government will introduce two new income tax allowances of £1,000 each for trading and property income. These will be introduced from 6 April 2017.

Where individuals are in receipt of income below the new allowances, the income will not be subject to tax and this will no longer need to be reported to HMRC. Where gross income receipts are in excess of these amounts, the recipient can deduct the £1,000 allowance from their gross income to arrive at their taxable income figure.

The aim of these new allowances is an attempt to remove the burden of an annual self-assessment tax return from certain individuals.

Qualifying recognised overseas pension schemes (QROPS): introduction of a transfer charge

The Government will introduce a 25 percent tax charge to pension transfers made to QROPS. The changes will take effect for transfers requested on or after 9 March 2017. There are limited exceptions to the charge in cases where people have a genuine need to transfer their pension.

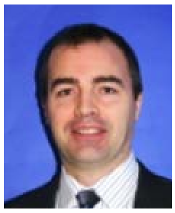
Making Tax Digital (MTD)

HMRC are pushing ahead with their attempts at modernising the UK tax system through their "Making Tax Digital" plan.

The main reform is the introduction of digital quarterly reporting to HMRC for businesses, the self-employed and landlords. The start date for unincorporated businesses and landlords with gross income (turnover) below the VAT registration threshold will be deferred until April 2019. For all other unincorporated businesses and landlords this is set to be introduced from 6 April 2018.

From April 2017, most unincorporated property businesses (other than LLPs, trusts, partnerships with corporate partners or those with receipts of more than £150,000) will also be able to calculate their taxable profits using the cash basis.

Employment Taxes



Eunan Ferguson
Director

Whilst the Chancellor's Spring Budget contained a number of significant announcements in respect of talent funding and in support of technical education, obviously designed to help raise overall employee productivity in the future, many of the employment tax measures detailed therein are simply going through as previously planned:

- Legislation will take effect from 6 April 2017 to remove advantages relating to salary sacrifice or optional remuneration provided outside of the published "white list". Significant grandfathering provisions exist for all arrangements put in place prior to that date, until the earlier of a variation, any renewal or 6 April 2018, whilst arrangements for cars, accommodation and school fees will be protected until April 2021. The Autumn addition of ultra-low emission vehicles to a "white list" of benefits unaffected by these changes, such as pension contributions, childcare and cycle-to-work schemes, together with the protection of cars until 2021 appears to have provided the fleet industry with a partial reprieve.
- The Government has announced legislation in Finance Bill 2017 to align the dates for making good on benefits in kind ('BIKs') that aren't currently payrolled, such that if an employee makes a payment in respect of the BIK they've received during the tax year by 6 July, following the end of that tax year, then HMRC accept that the taxable benefit will be reduced or removed.
- Finance Bill 2017 will include a requirement for public sector bodies to apply a deduction of income tax and NIC from individuals engaged within that sector via their own personal service company ('PSC'). Responsibility for operating the rules will fall to the public sector body, agency or other third party paying the individual's PSC.
- Taken together with the Chancellor's assertion that rapidly rising incorporation and self-employment are hitting tax receipts it appears the Treasury's preferred direction of travel, within both the public and possibly the private sector in due course, is that ultimately the PSC will no longer be responsible for deciding whether the intermediaries' legislation applies to it and instead the PSC's engager will make all relevant deductions at source.
- From April 2018, the Government will introduce employer NIC on termination payments in excess of the £30,000 exemption, essentially aligning employer NIC with existing PAYE treatment, however, the full payment will remain outside the scope of employee NIC. In addition, all payments in lieu of notice, contractual or otherwise, will be taxable as earnings and the employer will be required to tax the equivalent of an employee's basic pay if notice is not worked. The foreign earnings exemption, previously available when the individual has worked overseas, will also be abolished at that time.
- In measures expected to reduce the burden associated with employment benefits and expenses, the Government has confirmed a series of planned reviews into tax policy including;
  1. A call for evidence on exemptions and valuation methodology for income tax and employer NICs treatment of BIKs.
  2. Consult on proposals to bring the tax treatment of employer-provided living accommodation up to date.
  3. Request evidence to better understand the use of income tax relief for employees' expenses, including those that are not reimbursed by the employer.

Measures such as the proposed NIC rise for the self-employed and dividend allowance reduction reflect increasing concern that the growth of the so-called 'gig economy' and in individuals providing work through PSCs is resulting in lost revenues to the Exchequer and in unfairness in the tax system for those who are employed.

Whilst the Chancellor may be waiting for the publication of Matthew Taylor's Review on Modern Employment Practices in the summer, the indication appears we may be heading in the direction of further alignment for income tax and NIC on all de facto "earnings", irrespective of the various employment practices currently observed in the marketplace.

Corporation and Business Taxes

Tom Alexander
Partner

Des Gilmore
Director

After referring to record high rates of employment, a reduced deficit and fast growth, and amid pending negotiations to exit the European Union, the Chancellor said that "…a strong economy needs a fair, stable and competitive tax system, creating the growth that will underpin our future prosperity. My ambition is for the UK to be the best place in the world to start and grow a business".

Whilst there were no new announcements on future rate reductions, the Chancellor reconfirmed that Corporation Tax from 1 April 2017 will fall to 19 percent, the lowest rate in the G20. And in 2020, it will fall again to 17 percent, "…sending the clearest possible signal that Britain is open for business".

Loss relief reform

Following an announcement in the 2016 Budget and an earlier consultation, on 26 January 2017, the Government published revised draft legislation along with a revised explanatory memorandum to reform the treatment of corporation tax losses. Under the draft legislation, losses incurred on or after 1 April 2017 can be carried forward and set against profits of different activities within the same company or against the profits of another company within the same group. Additionally, the amount of a company's or group's profit that can be relieved by carried-forward losses will, from 1 April 2017, be restricted to 50 percent (subject to a £5 million annual allowance per company or group).

Northern Ireland Corporation tax rate

The Corporation Tax (NI) Act 2015 permits the Northern Ireland Assembly to set the rate of corporation tax for profits of some trades and activities of Northern Ireland companies. Presently the power cannot be exercised until the UK Treasury is satisfied that the NI Executive has demonstrated that its finances are on a sustainable footing. Commencement of the NI tax regime was timetabled to apply to trading profits arising on or after 1 April 2018, however is now also subject to ongoing political negotiations following the recent Assembly elections.

As announced at Autumn Statement 2016, several minor changes are to be made to the existing 2015 Act to offer more small and medium sized companies (SMEs) the potential to qualify for the lower corporation tax rate than previously, by allowing SMEs trading in Northern Ireland, but which fail to meet the 'NI employer' test, to make an optional election (known as the 'SME election') to effectively apply the 'large companies' rules for each accounting period (i.e. for the lower NI rate to apply to profits attributable to their 'Northern Ireland Regional Establishment' 'NIRE'), subject to certain close company provisions. This annual election must be made within 12 months of the end of the relevant accounting period.

G20/OECD base erosion and profit-shifting project ('BEPS')

Corporate Interest Restriction (BEPS 4)

This has been covered in some detail in our recent publications. The new rules introduce a restriction on the amount of interest and other financing amounts that a company may deduct in computing its profits for corporation tax purposes. The legislation takes effect from 1 April 2017 and will apply after all existing UK rules (transfer pricing, thin capitalisation, etc).

On 26 January 2017, the Government published the full draft legislation for the new Corporate Interest Restriction rules. The headlines are:

- A Fixed Ratio Rule ('FRR') will apply to limit a group's UK tax deductions for net interest expense to 30 percent of its UK tax EBITDA;
- A group de-minimis threshold of £2 million net UK interest expense per annum will apply;
- An optional Group Ratio Rule ('GRR') based on the net qualifying interest to accounting EBITDA ratio for the worldwide group;
- World Wide Debt Cap legislation ('WWDC') will be replaced with Modified Debt Cap Rule ('MDCR'); and
- Optional Public Benefit Infrastructure Exemption ('PBIE') for qualifying companies.

- All groups will be able to deduct £2 million of net interest expense. Amounts over this will be restricted to the lower of 30 percent of tax-based earnings before interest and tax depreciation (tax-EBITDA) and the worldwide group's net interest expense (the Fixed Ratio rule). If worldwide net interest expense is higher than the Fixed Ratio, the group may elect to deduct an amount equal to the group's net accounting interest to accounting EBITDA ratio (the Group Ratio rule).

The Government has included relieving provisions recommended by the G20/OECD so disallowed interest may be carried forward indefinitely and excess capacity to use finance costs may be carried forward for five years. Groups affected will need to consider the deferred tax implications of carrying forward interest and must satisfy the requirements for carrying forward deferred tax assets.

The existing Worldwide Debt Cap will be repealed, but to prevent groups with little third party interest claiming excessive deductions under the Fixed Ratio Rule, a Modified Debt Cap will be included to limit deductions to the net interest expense of the worldwide group.

The definitions and specifics of the legislation are complex and will require detailed consideration on a case by case basis.

Anti-hybrid rules (BEPS 2)

Finance Bill 2017 will make 2 minor changes to the hybrid mismatch regime. To recap, the new rules in relation to hybrid arrangements and mismatches were effective from 1 January 2017 and apply to "arrangements" that involve both:

- a hybrid instrument or hybrid entity; and
- a tax mismatch caused by the hybrid.

The rules are complex, but broadly they may impact the UK operations of those multinational groups whose tax affairs include hybrid mismatch arrangements that involve:

- payments that are tax deductible, with the corresponding income being not fully taxed; or.
- duplicate tax deductions in relation to the same payment.

There is no motive test and all UK deductions are within the scope of the rules, not just financing costs.

Substantial Shareholding Exemption ('SSE')

SSE is an exemption from corporation tax that is granted upon the disposal of qualifying shareholdings and was introduced to improve the competitiveness of UK holding companies. After a consultation period, and as previously reported in 2016 Autumn Statement Taxing Times, the conditions are to be simplified and relaxed in Finance Bill 2017 to allow the exemption from tax to be more widely applicable. In particular the vendor of the shareholding will no longer require to meet the trading test. The company actually being sold will still however require to meet the trading test. The new relaxed conditions will apply for disposals after 1 April 2017.

Plant and machinery leasing

The Government will consult in summer 2017 following the announcement of the International Accounting Board's new leasing standard IFRS16, which comes into effect on 1 January 2019, to ensure the current system of lease taxation is maintained and the rules to continue to work as originally intended.

Double taxation treaty passport scheme ('DTTP')

The DTTP scheme was previously restricted to corporate lenders and corporate UK borrowers. From 6 April 2017 this restriction will be removed and will now apply to all types of overseas lenders and UK borrowers. Guidance and the revised terms and conditions applying to this scheme will be published on GOV.UK on 6 April 2017.

Partnership Taxation

HMRC intend to issue a response to their consultation process on the taxation of partnerships. In particular HMRC will introduce legislation in Finance Bill 17-18 to ensure that profit shares are allocated to partners fairly for tax purposes.

Research & Development Tax Review

R&D activity carried out by companies is a key driver to the economy. There is a recognition that while the quantum of the available tax credits in the UK is highly competitive when compared with other jurisdictions, the UK Government wishes to reduce the administrative burden of the claim process, create more certainty and raise further awareness of the tax reliefs available. A review by HMRC will take place around R&D tax credits in this regard.

Multilateral trading facility

The Government wishes to introduce an exemption from withholding tax for interest paid in relation to debt which is traded on a Multilateral Trading Facility (MTF). A MTF is a type of European entity that trades on an electronic platform in debt and other financial instruments. There currently is an exemption from UK withholding tax on interest paid in respect of quoted Eurobonds i.e. listed debt. This would be a further step to remove a tax administration barrier to facilitate the development of UK debt markets. A consultation document will be published on 20 March 2017.

Large Business Risk Review

Large businesses are assessed by HMRC in relation to the level of risk that they may pose bearing in mind the company's attitude to tax planning and avoidance and in the processes and systems operated by the company to ensure payment of the right tax at the right time. HMRC has announced that they are going to launch a consultation in the summer of 2017 to consider the process of risk assessment and the promotion of stronger tax compliance by all large companies.

Capital Taxes

Philip Caughey
Director

Non-domiciled Individuals

The Chancellor confirmed today that the Government will legislate a number of reforms to the taxation of UK non-domiciled individuals in Finance Bill 2017, to have effect from 6 April 2017. A delay in the introduction of the reforms would have been welcomed, given the complexities of the draft legislation that was published in December 2016, however following today's announcement, from 6 April 2017 there will be a fundamental change in the compliance landscape for long term UK resident non-domiciled individuals.

From 6 April 2017, a non-domiciled individual who has been tax resident for 15 out of the past 20 tax years will be 'deemed' domiciled for tax purposes and worldwide income and capital gains will have to be reported to HM Revenue and Customs and UK tax paid thereon. Individuals becoming deemed domiciled in the UK in April 2017 can rebase their foreign assets at the market value of the asset on 5 April 2017. This opportunity to rebase foreign assets is not available for individuals born in the UK with a UK domicile of origin.

The Chancellor also confirmed, as first announced at Summer Budget 2015, that from 6 April 2017 the UK Inheritance Tax ("IHT") net will be extended to include all UK residential property owned through certain non-UK structures, regardless of the residence and domicile status of the ultimate owner. The draft legislation states that where the UK property is held indirectly through a company or partnership, if the individuals interest has a value of less than 1 percent of the total value of the underlying entity, their interest will be disregarded. The Government has now confirmed that the limit below which a minor interest in UK property is disregarded has been increased from 1 percent to 5 percent of an individual's total property interest.

Further clarifications in respect of the draft legislation for the above reforms are expected in the Draft Finance Bill 2017 clauses to be published on 20 March.

Venture Capital Schemes

A number of measures will be enacted to assist with some of the technical difficulties of the Seed Enterprise Investment Scheme ("SEIS") Enterprise Investment Scheme ("EIS") and Venture Capital Trust ("VCT") rules. The Finance Bill 2017 will include clarification in respect of the EIS and SEIS rules for share conversion rights. It will also provide additional flexibility for follow-on investments made by VCTs in companies with certain group structures for investments made on or after 6 April 2017. Provision will also be made for the VCT regulations to be amended in respect of certain share for share exchanges.

Financial Services Tax - Offshore Fund Regime

Ian Lockington
Partner

Material amendment to UK Reportable Income calculation rules under Offshore Fund Regime

UK taxpayers invested in offshore reporting funds pay tax on their share of a fund's reported income, and Capital Gains Tax on any gain on disposal of their shares or units. Under current rules a deduction is available for management and performance fees paid by a share class to the Investment Manager when calculating the Reportable Income of that share class each year for UK reporting fund purposes.

HMRC analysis of the many thousands of reporting fund calculations that have been filed since the regime was introduced in 2009 has indicated that permitting this deduction can substantially reduce or eliminate the taxable reporting income for UK investors – even though such performance fees are charged by reference to the increase in the value of the fund's assets rather than to its reported income.

Therefore, for reporting periods commencing on or after 1 April 2017 performance fees incurred by offshore funds, and which are calculated by reference to any increase in the fund's value, will not be deductible when calculating the reportable income of such funds. As the reportable income is deductible as additional base cost when calculating the capital gains arising on sale of shares in an offshore fund, the performance fees will therefore effectively be deductible against capital gains tax payable on disposal instead. An additional policy goal of the measure is to try to equalise the tax treatment of investments by UK investors in onshore and offshore funds.

In our view this is likely to result in a large number of offshore funds having positive reportable income, rather than £Nil reportable income each year – which is likely to impact on the individual tax position of investors. Fund Managers and those responsible for the distribution of such funds should therefore review the underlying fund documentation, KIIDs etc and representations made to investors in relation to potentially affected share classes – particularly where the Fund Managers have set up distribution policies to ensure that no reported income arises each year, or have investors to whom having £Nil reported income each year is particularly important (for example remittance basis taxpayers).

Taxation of UK Property

Mat Scott
Partner

There have been wide ranging, significant changes to the taxation of property investors and developers in recent Budgets and whilst there were no seismic shifts announced at Spring Budget 2017, the Chancellor has continued to increase the burden on those subject to UK tax on property transactions.

Taxation of Profits from Trading in and Developing Land

This legislation was originally announced at Budget 2016, to ensure profits from dealing in or developing UK land are taken into account for UK tax purposes. The provisions particularly affected non-resident owners of UK land and/or property who may not have otherwise been within the charge to UK taxation.

The legislation was introduced in Finance Act 2016 but contained transitional relieving provisions for contracts in place before the original commencement date of 5 July 2016. The Chancellor announced that the legislation will now apply to all profits arising on or after 8 March 2017 regardless of the contract date.

Treatment of Appropriations to Trading Stock

The relieving provision which existed for businesses transferring property to trading stock from fixed or investment assets held on capital account is removed with immediate effect. It will not be possible to rollover capital losses into the tax base cost of stock from 8 March 2017.

It had, before the Budget 2017 date, been possible to appropriate an asset held on capital account to trading stock without triggering a capital gain or loss by electing to rollover the gain (or loss) into the tax base cost of the stock. The Government is concerned that these provisions could lead to the conversion of restricted capital losses into more usable trading losses.

Whilst the measure is expected to primarily affect property investors who change their intentions for a particular property – perhaps to redevelop a rental property for onward sale, it may well impact trading businesses which choose to develop and sell excess land or property.

As the property market continues to improve and development activity gathers pace, those holding properties with development potential, perhaps acquired at pre-crash levels, may well suffer higher tax charges as a result.

Non-resident Companies – Application of Corporation Tax Rules

At Autumn Statement 2016, the Government began consulting on plans to bring non-resident corporate landlords within the scope of UK corporation tax rather than the income tax regime which currently applies.

Whilst the proposal will yield one benefit in terms of lower corporation tax rates for landlords in receipt of rental income, the application of complex corporation tax rules for loan relationships including financial instruments and a potential restriction on corporate interest relief and loss utilisation will most likely increase the tax and administrative burden on such entities. The consultation process is expected to start later in March.

Current indications are that chargeable gains on commercial properties will be continue to be outside the scope of UK taxation but chargeable gains on residential properties will be subject to corporation tax (in most cases, such gains are already subject to UK capital gains tax).

Stamp Duty Land Tax (SDLT) – filing and payment deadlines

The Government will reduce the time limits for filing of SDLT returns and payment of the associated liability from 30 days to 14 days but this measure will not be introduced until after April 2018.

This will accelerate the administrative burden and financing arrangements for those involved with property transactions and increase compliance time pressure in the post completion period.

Indirect Taxes

Frankie Devlin
Partner

Jennie Upton
Associate Director

The Chancellor did not announce any significant Indirect Tax changes in his Budget Statement. One change announced concerned the introduction of legislation to strengthen the regime for disclosure of avoidance of indirect tax and a new and more effective penalty for those who participate in and enable VAT fraud. Another expected increase relates to the Alcohol Duty rates which will increase as expected in line with inflation (based on RPI), with effect from 13 March 2017. There will also be an increase in the UK VAT registration and deregistration thresholds in line with inflation, as is generally the case, increasing from £83,000 to £85,000 (VAT Registration) and increasing from £81,000 to £83,000 (VAT deregistration) with effect from 1 April 2017.

Although no other significant changes were announced by the Chancellor in respect of indirect taxes, the imminent invocation of Article 50 by the 31 March 2017 deadline set by Theresa May, Brexit and its impact is a prominent concern for those in the Northern Ireland business community. There will be changes to the operation of VAT, as well as to customs duties for both UK businesses and global businesses trading with the UK.

Whilst there have been many discussions as to which customs model the UK will ultimately adopt, it still remains extremely uncertain what the outcome will be. Therefore, the business community is very concerned about the prospect of a 'hard' Brexit. The Prime Minister has made it clear that she believes full customs union membership prevents the UK from negotiating its own comprehensive trade deals, but she does want the UK to have a customs agreement with the EU. It is inevitable that whichever option is adopted, it will lead to increased delays and it is impossible at present to place an exact figure on its financial impact due to the potential additional customs duties, VAT and trade compliance costs.

It is clear that the operation of Customs Duty and VAT will change for both UK businesses that trade internationally and global businesses trading with the UK. Every international trading business will be required to undertake a thorough review of its supply chains. A business that has an in-depth understanding of its existing supply chains and systems and identifies how VAT and Custom Duty apply now will be in a better position to assess and prepare for the potential impact of Brexit, whichever Customs model is selected.

KPMG's Brexit Indirect Tax Assessment Tool

There remains significant uncertainty and it increases the importance for businesses to understand its business activities and supply chains, in turn exposing any risks and the potential specific solutions suitable for each industry. The KPMG Brexit Indirect Tax Assessment Tool assists businesses to achieve this outcome and gain a better understanding of the impact of Brexit.

KPMG has developed software that helps businesses to analyse their supply chains and identify where the costs, problem areas and opportunities lie. The development of the assessment tool models the potential impact of Brexit. Using VAT and Customs filing data, the software can produce a bespoke report quantifying the key customs duty and VAT impact arising from Brexit. The tool also maps the flows of goods into and out of the UK, giving visibility over the elements of the supply chain that are most exposed to additional cost or supply chain risk as a result of Brexit. By identifying risk areas and potential challenges, it enables KPMG to assist businesses identify specific solutions to these issues. This tool will allow businesses to focus time and resources on the material opportunities and challenges, while at the same time identifying areas to improve its VAT and customs duty position.

Budget 2017

Rates Reliefs and Allowances

The following information is based on proposals set out by the Chancellor in his budget of 8 March 2017 however is subject to amendment in the Finance Bill.

Income Tax

Rates - Non Savings and Savings Income

	%	2017/18
Basic	20	£0 - £33,500
Higher	40	£33,501 - £150,000
Additional	45	Above £150,000
Starting rate for savings	0%	£0-£5,000

Rates - Dividend Income

	%	2017/18
Basic	7.5	£0 - £33,500
Higher	32.5	£33,501 - £150,000
Additional	38.1	Above £150,000

Income Tax Personal Allowance

	2017/18
Personal allowance	£11,500

Income tax personal allowance is restricted for those with income over £100,000, tapering down to zero.

Personal Savings Allowance

		2017/18
Basic rate taxpayer		£1,000
Higher rate taxpayer		£500
Additional rate taxpayer		Nil

Tax Free Dividend Allowance

2017/18	£5,000
2018/19	£2,000

Property Income

From April 2017, individuals with property (or trading income) below £1,000 will no longer need to declare or pay tax on that income.

Inheritance tax

Rates

	From 6 April 2017	From 6 April 2018
0%	Up to £325,000	Up to £325,000
40%	Above £325,000	Above £325,000

Capital Gains Tax

Rates

Companies pay corporation tax on capital gains at their normal rate. Gains and losses on sales by trading companies or members of trading groups of shareholdings of 10% or more in trading companies or trading groups are exempt, subject to certain exclusions.

Individuals are entitled to an annual exemption of £11,300 for the 2017/18 tax year.

For individuals the following Capital Gains Tax (CGT) rates apply from April 2017:

	2017/18
Basic rate taxpayer	10%
Higher rate taxpayer	20%
Additional rate taxpayer	20%

Capital Gains Tax on residential properties will still be taxed at the higher rates of 18% and 28% (this does not apply to the main residential home).

National Insurance Contributions

Rates

	2016/17	2017/18
Class 1 (earnings related)		
Lower earnings limit (LEL) (per week)	£112	£113
Upper earnings limit (UEL) (per week – employees only)	£827	£866
Earnings threshold (per week) for employees (PT)	£155	£157
Earnings threshold (per week) for employers (ST)	£156	£157
Employee rate		
on earnings between earnings threshold and UEL	12%	12%
on earnings above UEL	2%	2%
Employer rate	13.8%	13.8%
Class 2 (self-employed flat rate) per week	£2.80	£2.85
Small earnings exemption (per year)	£5,965	£6,025
Class 3 (voluntary): per week	£14.10	£14.25
Class 4 (self-employed)		
Lower profits limit (per year)	£8,060	£8,164
Upper profits limit (per year)	£43,000	£45,000
Rate		
on earnings between lower and upper profits limit	9%	9%
on earnings above upper profits limit	2%	2%

From April 2018:

- Self-employed individuals will no longer be required to pay Class 2 National Insurance.
- The main rate of Class 4 National Insurance Contributions to increase to 10% in April 2018 and 11% in April 2019.
- Employers will be required to pay National Insurance on pay-offs above £30,000 where Income Tax is also due

Stamp Taxes

Residential		Non- residential or mixed	
Consideration	Rate on consideration	Consideration	Rate on consideration
£0-£125k	Nil	£0-£150k	Nil
£125k-£250k	2%	£150k-£250k	2%
£250k-£925k	5%	Above £250k	5%
£925k-£1.5m	10%	-	-
Above £1.5m	12%	-	-

Stamp Duty applies using a banded system whereby you only pay tax on the part of the property price within each tax band.

From 1 April 2016, higher rate Stamp Duty Land Tax (SDLT) is charged on purchases of additional residential properties (above £40,000), such as buy to let properties and second homes. The higher rate is 3% above the current SDLT rates shown above for residential properties.

Stamp duty on transfer of shares remains at 0.5%.

Value Added Tax

Standard rate 20%. Registration threshold from 1 April 2017: annual turnover £85,000 (previously £83,000). Deregistration threshold increased from £81,000 to £83,000.

Corporation Tax

	From Financial Year	From Financial Year
	2017/18	2020/21
Main Rate	19%	17%

Stokes House
17-25 College Square East,
Belfast, BT1 6DH
T: +44 28 9024 3377
F: +44 28 9089 3893

1 Stokes Place
St. Stephen's Green
Dublin 2
T: +353 1 410 1000
F: +353 1 412 1122

1 Harbourmaster Place
IFSC
Dublin 1
T: +353 1 410 1000
F: +353 1 412 1122

90 South Mall
Cork
T: +353 21 425 4500
F: +353 21 425 4525

Dockgate
Dock Road
Galway
T: +353 91 534600
F: +353 91 565567

kpmg.ie

Produced by: KPMG's Creative Services. Publication Date: March 2017. (2589)