



# DRAGONFLY

TAX, ACCOUNTANCY & FINANCIAL MANAGEMENT

## Tax Tables 2016/17

### Income tax allowances and bands

Please note it is taxable income which applies in this assessment, including earnings, pensions in payment, cash interest, fixed interest income, dividends and rent. ISA income is not included.

	Income Bands	Income Tax Rate	Dividend tax rate ***
Personal Allowance	£1 - £11,000	0%	0%
Basic rate tax band *	£11,000 - £43,000	20%	7.5%
Higher rate tax band **	£43,000 - £150,000	40%	32.5%
Additional rate tax band	Over £150,000	45%	38.1%

### Important notes

\* For savings income there is a 0% starting rate tax band of £5,000 above the personal allowance. However if your non-savings income is above this limit then the 0% starting rate for savings will not apply.

\*\* For all ages, the personal allowance reduces where taxable income is above £100,000 - by £1 for every £2 of income above this limit, so that the personal allowance is lost once taxable income exceeds £121,200 (2015/16), £122,000 (2016/17).

\*\*\* The Dividend Allowance provides that the first £5,000 of dividend income is tax free. Excess over this allowance is taxed as shown.

### Income tax - main personal allowances

Allowance	2016/17
Personal Allowance	£11,000
Transferable tax allowance for married couples/civil partners	£1,100
Personal Savings Allowance	£1,000 for Basic rate taxpayers £500 for Higher rate taxpayers Not available for Additional rate taxpayers
Dividend Allowance	£5,000

A Married Couple's allowance (born pre 6/4/35) or Blind Person's allowance may also apply. The transferrable tax allowance only applies where neither individual is a higher or additional rate tax payer.

The personal allowance reduces by £1 for every £2 of income above £100,000.

The dividend allowance applies after the personal allowance. Dividends within the dividend allowance still count towards the basic and/or higher rate tax bands.

The Personal Savings Allowance and Dividend Allowance is disregarded when determining whether an individual is a Basic, Higher or Additional rate taxpayer for the purpose of eligibility for the Personal Savings Allowance.

### Capital gains tax (CGT)

CGT is charged on any profits (the 'gains') you make when you sell (or transfer) shares and unit trusts or other assets such as a second home. If the total of any gains realised in the year, minus any losses, exceeds your annual allowance the excess is liable to CGT.

CGT has a different tax rate depending upon whether it applies to business assets or non-business assets.

Annual capital gains tax allowance: £11,100

2016/17 Capital gains tax rates (non-business assets)		Rate
Gains which when added to taxable income fall in the basic rate tax band		10%
Gains which when added to taxable income fall in the higher or additional rate tax band		20%

Capital gains on residential property which is not a main residence will be taxed at 18% and 28% instead of 10% and 20%.

### Inheritance tax (IHT)

Announced rates until 2020/21

Value of estate	Tax rate
£1 - £325,000 (known as IHT threshold or nil rate band)	0%
Over £325,000	40%

### Stamp duty

**Stamp duty reserve tax (SDRT)** Charged when you purchase shares

		Tax Rate
Shares purchased via electronic paperless system		0.5% (rounded up to nearest penny)
Shares purchased via a paper system	Less than £1,000	0%
Shares purchased via a paper system	Greater than £1,000	0.5% (rounded up to nearest £5)

**Stamp duty land tax (SDLT) – residential** Charged when you buy residential land or property.

Purchase price or value	Tax rate paid on portion of purchase price	Tax rate paid on second and subsequent houses
Up to £125,000	0%	3%
£125,001 to £250,000	2%	5%
£250,001 to £925,000	5%	8%
£925,001 to £1,500,000	10%	13%
Over £1,500,000	12%	15%

## State Pension

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### State Pension age

Historically the State Pension age was 60 for women and 65 for men. This is changing.

By November 2018 the State Pension age for women will have increased to 65. By October 2020 it will have increased to 66 for both men and women. The State Pension age is due to increase to 67 between 2026 and 2028 and to 68 between 2044 and 2046, however the government is considering bringing these increases forward.

**Basic State Pension rate - for those who reached State Pension age before 6 April 2016 is £119.30 per week for 2016/17.**

In addition, there may be entitlement to earnings related State Second Pension (S2P) formerly State Earnings Related Pension Scheme (SERPS).

You need 30 qualifying years for a full basic State Pension. A qualifying year is one where either sufficient national insurance has been paid (on earnings above a lower limit of £5,824 for this tax year) or deemed to have been paid.

**New State Pension rate - for those who reached State Pension age on or after 6 April 2016 is £155.56 per week for 2016/17.**

This figure will be reduced for those who have contracted out of the State Second Pension (S2P), formerly State Earnings Related Pension Scheme (SERPS), before 6 April 2016.

35 qualifying years are needed for a full basic State Pension. A qualifying year is one where either sufficient national insurance has been paid (on earnings above a lower limit of £5,824 for this tax year) or deemed to have been paid.

Transitional rules apply for those who accrued State Pension before 6 April 2016.

## Pensions

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### Tax relief on pension contributions

Tax status	Tax relief 2015/16*	Net cost of £1,000 gross contribution 2015/16	Tax relief 2016/17*	Net cost of £1,000 gross contribution 2016/17
Non-taxpayer (including children)	20%	£800	20%	£800
Basic rate taxpayer	20%	£800	20%	£800
Higher rate taxpayer	40%	£600*	40%	£600*
Additional rate taxpayer	45%	£550*	45%	£550*

\* Higher/additional rate tax relief is restricted to the amount of higher/additional rate tax paid. This assumes no other taxable income.

## Pension contribution limits

Relevant UK earnings (usually from employment or self-employment)	Maximum personal or employee contribution for tax relief
£0 - £3,600	£3,600
£3,601 and over	100% of earnings

**Annual allowance: £40,000.** A £10,000 money purchase annual allowance will apply for those who have flexibly accessed their pensions.

**Lifetime allowance: £1,000,000.** If the value of pension rights exceeds the lifetime allowance on death, at retirement or at age 75, the excess could be taxed at up to 55%.

## National Insurance contributions

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### Class 1 employed (2016/17)

Earnings per week	Employee rate
£0 to £155	Nil
£156 to £827	12%
£827 and over	2%
Earnings per week	Employer rate
£0 to £156	Nil
£157 and over	13.8%

National Insurance applies to most earned income or benefits in kind. National Insurance rates may be different for certain employees, e.g. if employee is over the State Pension age. No National Insurance paid by employers up to £827 for employees under 21 or apprentices under 25.

### Self-employed and voluntary

Type of National Insurance contribution	Tax rate 2016/17
Class 2 self employed	£2.80 per week
Class 2 small profits threshold	£5,965 per annum
Class 3 voluntary	£14.10 per week
Class 4 lower profits limit	£8,060 per annum
Class 4 upper profits limit	£43,000 per year
Class 4 rate between lower profits limit and upper profits limit	9%
Class 4 rate above upper profits limit	2%

## Entrepreneurs' Relief (Business assets)

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Business assets are generally a share (or interest) in the company or firm you work for. Entrepreneurs' Relief is subject to meeting certain criteria.

	<b>Tax rate</b>
First £10m of lifetime profit	10%
Long-term investment in unlisted companies, first £10m of lifetime profit*	10%

\*Only applies for qualifying shares bought on or after 17 March 2016 and held for at least three years from 6 April 2016.

**Please contact me if you would like further help or advice.**

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