



Keens Shay Keens Limited

CHARTERED ACCOUNTANTS AND BUSINESS ADVISERS

Budget 2016

The Chancellor's third Budget in the space of 12 months was expected to be less exciting than its two predecessors. His room for manoeuvre was seen as constrained by disappointing economic numbers and June's EU referendum. Nevertheless Mr Osborne managed to produce a range of surprise measures – including some tax cuts and new tax incentives alongside the predictable anti-avoidance attacks. Some of the key points are:

- An increase in the personal allowance for 2017/18 to £11,500 (£11,000 in 2016/17) and a rise in the higher rate threshold to £45,000 (£43,000 in 2016/17). Both are steps towards the long term goals of a £12,500 allowance and £50,000 threshold by 2020/21.
- A cut in the main rates of capital gains tax from 2016/17 to 20% for higher and additional rate taxpayers and to 10% for basic rate taxpayers, although the existing rates (28% and 18%) will continue to apply to gains on residential property and carried interest.
- An extension of the entrepreneurs' relief 10% tax rate to capital gains made by long term investors in unlisted companies.
- Two new £1,000 tax allowances for property income and trading income, starting in April 2017.
- A cut in the corporation tax rate to 17% in 2020 from the previous target of 18% and a two year deferral of the planned acceleration in the timing of tax payments by large companies.
- A restructuring of stamp duty land tax (SDLT) on commercial properties, with higher tax bills on more valuable properties.
- A major revamp of business rates, permanently doubling the Small Business Rate Relief.
- An increase in insurance premium tax from 9.5% to 10% from 1 October 2016 which will be used to finance additional flood defence expenditure.

- The launch of a new Lifetime ISA from April 2017 for adults under the age of 40, with a maximum contribution of £4,000 a year and a 25% bonus on savings. The standard ISA investment limit will rise to £20,000 at the same time.
- A new help to save scheme for low income households, offering a 50% bonus after two years of savings of up to £50 a month.
- The abolition of Class 2 National Insurance contributions (NICs) from 6 April 2018. From the same date, termination payments over £30,000, which are subject to income tax, will also become subject to employer NICs.
- There were the usual raft of anti-avoidance and evasion measures, with restrictions on tax relief for business interest and the use of tax losses.

Contact Paul Southward or your usual KSK contact for more information.