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Tax rates 2016/17

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UK Budget 2016

Contents

Personal Tax	1
Indirect taxes	12
National Insurance contributions	19
Business tax	21
Offices	27

These tables are a summary and do not cover all situations. They are based on information in the Budget announcements on 16 March 2016. These may be subject to further amendment.

Personal Tax

Income tax rates 2016/17 (2015/16)

Income band (£)	Dividends (%)	Other savings income (%)
Up to 32,000 (up to 31,785) [a, b]	**7.5** (10%, effective rate 0%)	**20**
32,000 – 150,000 (31,786 – 150,000)	**32.5** (32.5%, effective rate 25%)	**40**
Over 150,000 (over 150,000)	**38.1** (37.5%, effective rate 30.6%)	**45**
Income band (£)	**Other income (%)**	**Cumulative tax (£)**
Up to 32,000 (up to 31,785)	**Basic rate: 20**	6,400 (6,357)
32,000 – 150,000 (31,786 – 150,000)	**Higher rate: 40**	53,600 (53,643)
Over 150,000 (over 150,000)	**Additional rate: 45**	

a. A 0% starting rate applies to the first £5,000 of savings income. For many taxpayers this is not relevant as the starting rate does not apply if their taxable non-savings income exceeds the starting rate limit.
b. Subject to the Personal Savings and Dividend Allowances.

The income bands are broadly used in the following order:

- Non-savings income
- Savings income
- Dividends

From 2016/17, the 10% notional dividend tax credit has been abolished. Instead a Dividend Allowance of £5,000 per year (0% rate) has been introduced.

Discretionary trusts and accumulation and maintenance trusts are entitled to a standard rate band of £1,000. Income in excess of this amount is subject to income tax at the top rate of income tax which is 45%. The rate of tax on dividend income received in excess of the standard rate band in 2016/17 is 38.1% (2015/16: 37.5%).

The higher rate band will increase to £33,500 for 2017/18.

Personal allowances

	2016/17 (£)	2015/16 (£)
Individual [a, d, e]	11,000	10,600
Married couple (elder aged 81 and over) [b, c, d]	8,355	8,355
Personal Savings Allowance for basic rate taxpayers [f]	£1,000	–
Personal Savings Allowance for higher rate taxpayers [f]	£500	–
Dividend Allowance [g]	£5,000	–

a. Reduced by £1 for each £2 of income (less deductions) in excess of £100,000.
b. Reduced by £1 for each £2 of income (less deductions) which exceeds £27,700. The minimum age-related married couple's allowance is £3,220.
c. Restricted to relief at 10%.
d. None of these allowances are available to non-UK domiciled individuals who elect to pay tax on the remittance basis of taxation.
e. Spouses or civil partners will be able to transfer £1,100 (£1,060) of their unused personal allowance to their partner. This is available provided neither person pays tax at the higher rate.
f. A 0% tax rate for personal savings income for basic and higher rate taxpayers only.
g. A 0% tax rate for dividend income available to all UK resident taxpayers.

The personal allowance for 2017/18 will be £11,500.

In Budget 2016, the Government announced that two new £1,000 allowances for property income and trading income will be introduced from 2017/18.

Income tax reliefs and incentives

Annual limits	2016/17 (£)
Enterprise Investment Scheme (EIS) (maximum) [a]	1,000,000
Seed Enterprise Investment Scheme (SEIS) (maximum) [b]	100,000
Venture Capital Trust (VCT) (maximum) [c]	200,000
'Employee shareholder' status [d]	2,000
Individual Savings Account (ISA) (maximum) [e]	15,240
Junior ISA (maximum per child)	4,080

a. Income tax relief restricted to 30%. CGT deferral on gains on disposal of other assets is also available.
b. Rate of income tax relief is 50%. The relief applies to shares in qualifying trading companies with less than 25 full-time equivalent employees, and assets of up to £200,000 issued after 6 April 2012. Maximum stake 30% of share capital and voting rights. Total SEIS financing per company is limited to £150,000 cumulatively (within three years preceding the share issue).
c. Rate of income tax relief for investors in VCTs is 30%. Dividends received on qualifying VCT investments are exempt from income tax.
d. The first £2,000 of shares acquired by an employee under the 'employee shareholder' provisions will be free of income tax and national insurance contributions.
e. A Help to Buy ISA enables first time buyers saving up to £200 per month plus an initial amount of up to £1,000 towards their first home to receive a government bonus of 25% of the amount saved. The Government will contribute a maximum of £3,000 on £12,000 of savings.

The overall annual ISA subscription limit will be increased to £20,000 from 2017/18.

In Budget 2016, the Government announced that a new Lifetime ISA will be introduced from April 2017. Adults under the age of 40 will be able to contribute up to £4,000 per year, and receive a 25% bonus from the Government. Any contribution to this new Lifetime ISA counts towards the overall ISA subscription limit.

Relief is available at the taxpayer's marginal rate of income tax for charitable donations via the Gift Aid and Payroll Giving schemes and for charitable gifts of quoted shares and securities and real property.

Pensions

	2016/17	2015/16
Annual allowance (£)	40,000 [b, c]	80,000 [a, c]
Lifetime allowance (£)	1,000,000 [d, e]	1,250,000 [d]

a. The 2015/16 annual allowance was initially £40,000, but was increased to £80,000 due to transitional rules that were announced on 8 July 2015. The amount that is available for use between 9 July 2015 and 5 April 2016 cannot exceed £40,000 (ie the first £40,000 is only available for pension savings made on or before 8 July 2015).

b. From 2016/17 the annual allowance will be reduced by £1 for every £2 of income over £150,000, including relievable contributions, to a minimum of £10,000.

c. The annual allowance may be increased by up to £130,000 (2015/16: £140,000) with unused relief from the previous three years. Where the member has flexibly accessed his uncrystallised or drawdown fund since then, the annual allowance for contributions to a money purchase scheme is £10,000, with no unused allowance brought forward – see further comments below. The potentially higher limit for defined benefit schemes remains.

d. The standard lifetime allowance, which is the total value of pension savings that can be accumulated without a tax recovery charge when a pension or lump sum is taken, reduced from £1.5m to £1.25m from 6 April 2014. Individuals who have previously elected transitional protection by reference to their position in April 2006, April 2012 or April 2014 continue to benefit from higher limits. For instance, members who claimed fixed protection 2014 and opted out of further pension saving by April 2014 may retain the £1.5m limit. Members whose savings at April 2014 exceeded £1.25m may by 5 April 2017 elect for individual protection which freezes their tax-free limit at the 6 April 2014 funding level (subject to a £1.5m cap) but allows them to continue contributing, on the basis that future fund growth is subject to a tax recovery charge.

e. A new form of individual protection is expected to be introduced for individuals with savings above £1m to secure an allowance between £1m and £1.25m. Similarly, a new form of fixed protection should enable individuals to retain the £1.25m allowance if they opt out of further pension savings by 5 April 2016.

Aggregate contributions made by employers and employees to a money purchase (defined contribution) registered pension scheme attract an annual allowance charge to the extent they exceed the annual allowance for the tax year in which the pension input period ends, augmented by any brought forward unused relief from the previous three years. No charge arises where the member dies in the year or is medically assessed as unable to work ever again.

An annual allowance charge similarly applies to salary-related pension accrual where the inflation-adjusted increase in pension entitlement, multiplied by a valuation factor of 16, exceeds the annual limit. No charge applies where the member's active participation in the scheme has ceased.

Where the annual limit is exceeded, tax is payable on the excess at the individual's marginal (ie 20%, 40% or 45%) rate. This is normally payable by the individual via self-assessment, but in some cases they may elect for the pension scheme to pay the tax instead.

On drawing a pension, the maximum tax-free pension commencement lump sum payable is the lesser of 25% of the value of an individual's uncrystallised fund, 25% of the member's lifetime allowance and one third of the amount crystallised for the payment of a pension or annuity for life, or as funds available for drawdown.

Subject to the agreement of the scheme administrator, members of money purchase schemes who have reached the minimum pension age of 55 will be able to take funds from their drawdown account flexibly – whenever they want, and in any desired amount. Members will also have the option of taking an 'uncrystallised funds pension lump sum', 25% of which is tax-free, provided they have sufficient lifetime allowance available. If the member dies before age 75 any unused drawdown or undrawn uncrystallised funds can be paid to dependants free of tax. After that age lump sums are taxable. In 2015/16 death benefit lump sums are subject to a flat tax rate of 45%. From 6 April 2016, they will normally be taxed as pension income of the recipient (ie marginal income tax rates).

In certain circumstances, including when a member takes a pension or lifetime annuity, designates funds for drawdown, dies holding uncrystallised funds or takes a pension commencement or uncrystallised funds pension lump sum, his aggregate pension savings are also tested against the lifetime limit, taking account of any previous benefit crystallisation event. Any excess is taxed at 25%, or 55% if taken as a lifetime allowance excess lump sum.

Members who take benefits flexibly from their money purchase pension scheme, including as an uncrystallised funds pension lump sum, have a reduced money purchase annual allowance of £10,000.

Any unauthorised lump sum is taxed on the member at rates of 40% or 55%, with a further charge on the scheme.

Making contributions to pensions is a long term investment decision and individuals should take advice on the suitability of making pension contributions in their particular circumstances.

Company car, van and fuel benefits

For more detail see www.cartaxguide.co.uk.

A company car benefit is calculated as the car's list price (including the cost of most optional accessories) multiplied by a percentage charge based on the car's carbon dioxide (CO_2) emissions.
The percentage charges for 2016/17 onwards are as follows:

2016/17	CO_2 emissions (g/km) [a] 2017/18	2018/19	2019/20	% of list price [b]
–	–	–	–	5
–	–	–	–	6
0 – 50	–	–	–	7
–	–	–	–	8
–	0 – 50	–	–	9
–	–	–	–	10
51 – 75	–	–	–	11
–	–	–	–	12
–	51 – 75	0 – 50	–	13
–	–	–	–	14
76 – 94	–	–	–	15
95	–	51 – 75	0 – 50	16
100	76 – 94	–	–	17
105	95	–	–	18
110	100	76 – 94	51 – 75	19
115	105	95	–	20
120	110	100	–	21
125	115	105	76 – 94	22
130	120	110	95	23
135	125	115	100	24
140	130	120	105	25
145	135	125	110	26
150	140	130	115	27
155	145	135	120	28
160	150	140	125	29
165	155	145	130	30
170	160	150	135	31
175	165	155	140	32
180	170	160	145	33
185	175	165	150	34
190	180	170	155	35
195	185	175	160	36
200+	190+	180+	165+	37

a. Unless otherwise specified, CO_2 emissions should be rounded down to the nearest 5g/km.

b. Add 3% to the '% of list price' if the car runs solely on diesel, up to the limit of 37%. The planned abolition of the 3% surcharge for cars running solely on diesel has been deferred from April 2016 to April 2021.

The list price of the car is reduced by up to a maximum of £5,000 for capital contributions made by an employee. Employees' contributions towards private use reduce the taxable benefit pound for pound.

Fuel benefit for company cars is calculated by applying the relevant car CO_2 emissions percentage to a pre-set figure which is £22,200 (£22,100 for 2015/16).

The private use of vans attracts a scale charge of £3,170 (£3,150 for 2015/16), regardless of the age of the vehicle. In addition, if free or subsidised fuel is provided for private use in a company van, a taxable fuel benefit will arise of £598 (£594 for 2015/16).

Electric vehicles
The appropriate percentage for electric cars for the purposes of company car tax is 7% (9% in 2017/18, 13% in 2018/19 and 16% in 2019/20). The Government will consult on reforming the lower CO_2 bands for ultra-low emission vehicles to refocus incentives on the cleanest cars beyond 2020-21.

In 2016/17 the van benefit charge for zero emission vans will be 20% of the rate paid by conventionally fuelled vans, followed by 20% in 2017/18, 40% in 2018/19, 60% in 2019/20, 80% in 2020/21 and 90% in 2021/22, with the rates equalised in 2022/23.

Approved mileage rates
Employers can make tax and NIC free payments to employees using their own vehicle for business travel, as follows:

- cars and vans – 45p per mile for the first 10,000 miles and 25p per mile thereafter (For NIC purposes there is no mileage limit for the 45p per mile rate);
- motor cycles – 24p per mile;
- bicycles – 20p per mile; and
- passengers – an optional 5p per mile for each passenger who is an employee travelling on business.

Capital Gains Tax (CGT)

	2016/17 (£)	2015/16 (£)
Combined income and gains less than the upper limit of the income tax basic rate band [a, b, c]	10%	18%
Combined income and gains above the upper limit of the income tax basic rate band [a, c, d]	20%	28%

a. Chargeable gains are treated as the top slice of an individual's combined gains and income. Any part of a taxable gain exceeding the upper limit of the income tax basic rate band (£32,000 for 2016/17) is taxed at 20% (28% for 2016/17).
b. For trustees and personal representatives of deceased persons, the CGT rate is 20% (28% for 2015/16).
c. An 8 percentage point surcharge applies on the rates for 2016/17 for gains on residential property and carried interest.

Annual CGT exemptions apply for individuals and trusts, as follows:

	2016/17 (£)	2015/16 (£)
Individual	11,100	11,100
Trust	5,550	5,550

Gains realised on the disposal of an EIS or SEIS investment are exempt from CGT provided certain conditions are met including that the shares are held for at least three years, and both the investor and company remain eligible for EIS/SEIS throughout this period.

Up to 50% of capital gains of up to £100,000 realised on disposals of assets are exempt from CGT if a qualifying SEIS investment and appropriate claims are made.

Gains on the disposal of up to £50,000 of shares acquired by an employee under the new 'employee shareholder' provisions are exempt from CGT.

The lifetime limit for entrepreneurs' relief is £10 million. Qualifying gains made within this limit are subject to a reduced capital gains tax rate of 10%.

The Government announced at Budget 2016 that entrepreneurs' relief will be extended to external investors in unlisted trading companies. The new rules will apply to newly issued shares purchased on or after 17 March 2016, providing they are held for a minimum of three years from 6 April 2016, and subject to a separate lifetime limit of £10 million of gains.

There is no chargeable gain on the disposal of a single chattel if the gross consideration does not exceed £6,000.

Inheritance tax (IHT)

IHT is charged on an individual's estate at death, on gifts within seven years of death, and on chargeable lifetime transfers of value (e.g. a transfer to a trust). The nil rate band is £325,000. Cumulative chargeable transfers up to the limit of the nil rate band do not result in an IHT charge. To the extent that chargeable transfers exceed the nil rate band, the tax rate is 20% for lifetime transfers where the donor survives seven years, and 40% for transfers on death and in the three years preceding death. A tapered inheritance tax rate applies to gifts made between three and seven years before death.

When a surviving spouse or civil partner dies on or after 9 October 2007, relief is due on that death in respect of any unused proportion of the nil rate band of the spouse or civil partner who died first. This is in addition to any unused nil rate band of the survivor. Transfers between spouses or civil partners who are both UK-domiciled or both non-UK domiciled are exempt.

When a transferor spouse or civil partner is UK-domiciled and a transferee spouse or civil partner is not, the spouse exemption is limited to the level of the IHT nil rate band. Also a non-UK domiciled spouse or civil partner can elect to be treated for IHT as UK-domiciled. If he or she does so the full spouse/civil partner exemption will be due.

For deaths after 5 April 2012, where 10% or more of a person's net estate is left to charity, the rate of IHT is reduced to 36%.

On 8 July 2015, the Chancellor announced that an additional nil rate band will be introduced, which applies when a residence is passed to a direct descendant. This will be £100,000 for 2017/18, £125,000 for 2018/19, £150,000 for 2019/20 and £175,000 for 2020/21. Any unused nil rate band can be transferred to a surviving spouse or civil partner. It will also be available when a person downsizes or ceases to own a home on or after 8 July 2015 and assets of an equivalent value, up to the value of the additional nil–rate band, are passed on death to direct descendants. There will be a tapered withdrawal of the nil rate band for estates with a net value of over £2 million, at a rate of £1 for every £2 over this threshold.

Indirect taxes

Value Added Tax (VAT)

VAT registration is required where taxable supplies exceed £83,000 (2015/16: £82,000) for the previous 12 months or are expected to do so within the next 30 days. The deregistration threshold is £81,000 (2015/16: £80,000).

Rates	(%)
Zero rate (newspapers, children's clothes etc)	0
Reduced rate (certain fuel and power, some energy saving materials, some residential property works etc)	5
Standard rate	20
VAT fraction for standard rate VAT inclusive price	1/6

Insurance premium tax

The standard rate applying to most general insurance is 9.5% until 1 October 2016 when it increases to 10%. Life and other long-term insurance is exempt. A higher rate applies to some mechanical breakdown and travel insurance, and insurance sold with certain goods. The higher rate is 20%.

Stamp Duty Land Tax (SDLT)

SDLT rates for residential properties apply to slices of consideration rather than to all the consideration. This is different to the slab system that applied to residential property purchases prior to 4 December 2014 where the whole of the consideration was taxed at the applicable rate. The current SDLT rates on residential purchases are provided in the table below.

Relevant consideration (£) – residential property	Rate (%)
Up to 125,000	0
Above 125,000 to 250,000	2
Above 250,000 to 925,000	5
Above 925,000 to 1,500,000	10
Over 1,500,000	12

For example, SDLT of £3,750 is payable on a residential property bought for £275,000, made up of nothing on the first £125,000, £2,500 (2%) on the next £125,000 and £1,250 (5%) on the remaining £25,000.

From 1 April 2016, higher rates of SDLT will apply to purchases of additional residential properties in England, Wales and Northern Ireland such as second homes and buy to let properties acquired for more than £40,000. The higher rates will levy an additional 3% on the total price paid for the property – such that, as shown below, the nil rate band will increase to 3% and so on up to the top slice of SDLT (which increases to 15%).

Relevant consideration, above £40k (£) – residential property	Current rate (%)	Additional rate (%)
Up to 125,000	0	3
Above 125,000 to 250,000	2	5
Above 250,000 to 925,000	5	8
Above 925,000 to 1,500,000	10	13
Over 1,500,000	12	15

Purchasers will not incur the additional charge if they replace a main residence which has been sold within the last 36 months. Where the purchaser has paid the additional charge because they have not been able to sell their previous main residence before the acquisition of the new property, they will be able to claim a refund if they then sell their previous main residence within 36 months.

A higher rate of 15% may apply to all the consideration where certain 'non–natural' persons, such as a company, purchase an interest in a single residential property and consideration of more than £500,000 is attributable to the property. This 15% charge will apply instead of the normal SDLT rates unless a relief is available to disapply the 15% rate. The reliefs available are broadly the same as those available in respect of ATED (discussed below).

From 17 March 2016, SDLT for non–residential or mixed use properties moved to the same progressive slice system as for residential property so that SDLT will be chargeable on the portion of the purchase price which falls within each tax band as set out below.

Relevant consideration (£) – non-residential or mixed use property	Rate (%)
Up to £150,000	0
Above £150,000 to £250,000	2
Over £250,000	5

For example, SDLT of £3,250 is payable on a non-residential property bought for £275,000, made up of nothing on the first £150,000, £2,000 (2%) on the next £100,000 and £1,250 (5%) on the remaining £25,000.

The new rates will apply to transactions with an effective date on or after 17 March 2016, subject to transitional provisions for those who have already exchanged contracts before that date. A purchaser who has exchanged prior to that date will have the ability to make an election to apply the old rates.

The relevant consideration is determined by aggregating the consideration of all linked transactions. The relevant consideration is the VAT inclusive amount or value of any consideration given by the purchaser (or persons connected with him) in money or money's worth.

Although no SDLT will be payable until the relevant consideration exceeds the nil rate band, a transaction may nonetheless be notifiable (such that an SDLT land transaction return is required) where the relevant consideration is £40,000 or more.

Where six or more residential properties are acquired in a single transaction, they are not treated as being residential property, such that the rates applicable to commercial or mixed property will apply (unless the relief for bulk purchases is claimed). However, for a bulk purchase of residential properties the rate of SDLT may in certain circumstances be payable at the residential rates determined by the average amount paid per dwelling.

This is however subject to a minimum rate of 3% since the additional charge will generally be payable in respect of such transactions. This is achieved through claiming a relief in the SDLT land transaction return.

SDLT will also be charged on the grant of a lease under which rent is payable at the rate of 1% of the net present value of the (VAT inclusive) rent payable over the term of the lease, to the extent that value exceeds £125,000 in the case of residential property and £150,000 in the case of other property. From 17 March 2016, a new 2% SDLT rate will also apply in respect of the grant of a lease of mixed use or non–residential property where the net present value (NPV) of the rent exceeds £5m.

SDLT is also charged on any premium paid by the tenant on the grant of the lease at the rate applicable to residential, non-residential or mixed use properties, as set out above.

Land and Buildings Transaction Tax (LBTT) – Scotland only

LBTT (instead of SDLT) now applies to property purchases in Scotland. A progressive system is used and the following rates apply to slices of consideration in the following bands:

Consideration (£) – residential transactions	Rate (%)
Up to 145,000	0
Above 145,000 to 250,000	2
Above 250,000 to 325,000	5
Above 325,000 to 750,000	10
Over 750,000	12

Consideration (£) – non-residential transactions	Rate (%)
Up to 150,000	0
Above 150,000 to 350,000	3
Above 350,000	4.5

For example, LBTT of £3,350 is payable on a residential property in Scotland bought for £275,000 after 1 April 2015, made up of nothing on the first £145,000, £2,100 (2%) on the next £105,000 and £1,250 (5%) on the remaining £25,000.

As for SDLT, from 1 April 2016 an additional 3% LBTT will apply to purchases of investment properties and second homes for more than £40,000. There are, however, some technical differences between the SDLT and LBTT 3% regimes.

Generally, leases of residential property that are under 175 years are exempt from LBTT.

For chargeable leases, LBTT is payable at the rate of 1% of the net present value of the (VAT inclusive) rent payable over the term of the lease, to the extent that value exceeds £150,000.

Stamp duty and Stamp Duty Reserve Tax (SDRT)

Stamp duty and SDRT generally applies to transfers of UK shares (being shares in a company that is incorporated in the UK or which maintains its share register here) and UK securities at a rate of 0.5% of the consideration given by the purchaser. Payment of the appropriate amount of stamp duty (or a valid claim for relief from stamp duty) generally cancels the charge to SDRT. As such, SDRT is generally only paid in the context of electronic trading, where shares are held in dematerialised form.

Share transfers where the value of the consideration is £1,000 or less are exempt from stamp duty, provided they do not form part of a larger transaction or series of transactions where the combined value of the consideration exceeds £1,000 and a certificate confirming this is given on the reverse of the instrument of transfer.

There is a higher 1.5% rate of stamp duty and SDRT which applies to transfers of shares to depositary receipt issuers and persons providing clearance services.

Annual Tax on Enveloped Dwellings (ATED)

There is an ATED charge in respect of single interests in UK residential property valued at more than £500,000 (2015/16: £1 million) held by 'non-natural' persons, such as companies. The rates for 2016/17 are set out below.

Value of property	ATED charge per annum – 2016/17 (£)
£500,001 – £1,000,000	3,500
£1,000,001 – £2,000,000	7,000
£2,000,001 – £5,000,000	23,350
£5,000,001 – £10,000,000	54,450
£10,000,001 – £20,000,000	109,050
Over £20,000,000	218,200

Relief from the ATED is available for certain businesses and investors. Reliefs are available to, amongst others, property rental businesses, property developers and property traders.

ATED generally increases each year based on inflation, though the rates were increased significantly in 2015/16. As inflation was negative in September 2015, 2016/17 rates are the same as the 2015/16 rates.

The value of a property for ATED purposes is the value of the property on 1 April 2012, if the property was owned on this date, otherwise the value of the property on acquisition is used. Properties need to be revalued, and thus may move into a different ATED band, if there is a substantial acquisition of an additional chargeable interest in a dwelling or a substantial disposal of part of a chargeable interest where the acquisition cost or disposal proceeds are £40,000 or more. For transactions not at arm's length, for example, gifts or sales between connected persons, market values should be used.

A CGT charge at 28% also applies to gains on disposal where ATED has been payable at any point in the ownership period. For properties which were owned on 5 April 2013 and which were worth more than £2 million for ATED purposes, this is by reference to any increase in value between 5 April 2013 and the date of disposal. If relief is available for some, but not all, of the post 5 April 2013 ownership period, the gain is pro–rated and 28% CGT applied to the gain attributable to the period during which ATED was payable. Other tax charges may apply to any remaining gain.

For properties worth more than £1 million or £500,000 for ATED purposes, which are only within the scope of ATED from April 2015 and April 2016 respectively, this CGT charge is applied by reference to the uplift in value of the property from 5 April 2015 or 2016 on the same basis as above.

National Insurance contributions 2016/17

Class 1 (employees and employers) rates

Weekly earnings (£)	Employees	Weekly earnings (£)	Employers
112.00 or less [a]	–	156.00 or less [c]	–
112.01 – 155.00 [b]	0%	Over 156.01	13.8%
155.01 – 827.00 [d]	12%		
Over 827.00 [d]	2%		

a. Monthly and annual lower earnings limits are £486 and £5,824 respectively.

b. A zero rate of NIC applies to earnings between the lower earnings limit of £112 per week and the primary earnings threshold of £155 per week to protect employees' contributory benefit entitlements. Monthly and annual thresholds are £672 and £8,060 respectively.

c. Monthly and annual secondary thresholds are £676 and £8,112 respectively.

d. Monthly and annual upper earnings limits are £3,583 and £43,000 respectively.

Employees' qualifying business travel and subsistence expenses are excluded from earnings for Class 1 NIC purposes. Employers can pay up to 45p per mile to employees travelling on business in their own cars without incurring a NIC charge. This rate applies irrespective of the mileage incurred.

The employment allowance of £3,000 per year for 2016/17 is available to all businesses and charities to offset against their employer Class 1 NICs.

Employers are not required to pay employer class 1 NICs in respect of the wages they pay to employees under the age of 21 up to £827 per week.

For apprentices under the age of 25, the Apprentice Upper Secondary Threshold is also £827 per week. This means that employers will not be required to pay employer Class 1 NICs in respect of the wages they pay to apprentice employees under the age of 25 up to £827 per week.

Class 1A (employers providing benefits–in–kind)

Employers are liable to Class 1A NIC at 13.8% on most benefits-in-kind subject to income tax. Scale rate allowances covered by an approval notice or benefits-in-kind included in a PAYE Settlement Agreement (but see below) are not subject to Class 1A NIC. Certain other benefits are specifically exempt from both income tax and Class 1A NIC.

Class 1B (employers settling tax liabilities via PAYE settlement agreements)

Class 1B NIC is an employer-only charge, similar to Class 1A, payable by employers on the value of the tax and on certain benefits paid via PAYE Settlement Agreements. The rate is tied to the Class 1 secondary rate (13.8%) and contributions are payable by 19 October following the end of the tax year, along with the tax under the PAYE settlement agreement.

Other Classes

Class 2 (self–employed)	
Weekly rate	£2.80
Small profits threshold (annual)	£5,965

At Budget 2016 the Government announced Class 2 NICs will be abolished from April 2018.

Class 3 (voluntary)	
Weekly rate	£14.10

Class 4 (self–employed)	
Lower limit of profit or gains (annual)	£8,060
Upper limit of profit or gains (annual)	£43,000
Rate on profits between lower and upper limits	9%
Rate on profits above upper limit	2%

Business tax

Corporation tax rates

	Year ending 31 March 2017	2016
Main rate [a]	20%	20%

a. The rate of corporation tax will decrease to 19% for 2017/18, 2018/19 and 2019/20, and decreased further to 17% for 2020/21.

Corporation tax payments

Large companies pay tax in instalments. Large companies are broadly those with taxable profits of at least £1.5 million and a corporation tax liability in excess of £10,000 for a 12-month accounting period. The £1.5 million threshold is reduced pro rata for '51% related group companies' and for accounting periods of less than 12 months. The £10,000 is also reduced proportionately for shorter accounting periods.

In a 12-month accounting period, four instalments are payable as follows:

- 6 months and 13 days from the first day of the accounting period;
- 3 months after the first instalment;
- 3 months after the second instalment; and
- 3 months and 14 days from the last day of the accounting period.

Companies are not required to make instalment payments in the first year in which the £1.5 million threshold is reached unless their profits exceed £10 million. The £10 million threshold is also reduced pro rata for '51% related group companies' and for accounting periods of less than 12 months.

For accounting periods starting on or after 1 April 2019 new payment dates will be introduced for companies with annual taxable profits of £20 million or more. (The introduction of these new payment dates was delayed by two years from 1 April 2017 to 1 April 2019 in Budget 2016).

Where a company is a member of a group, the £20 million threshold will be divided by the number of '51% related group companies' in the group. For a 12-month accounting period affected companies will be required to pay corporation tax in quarterly instalments in the third, sixth, ninth and twelfth months of their accounting period.

Different instalment payment arrangements apply for "ring-fence" profits and the bank levy.

Capital expenditure

	Year ending 31 March 2016	2015
Annual investment allowance [a]	See note [b]	See note [b]
Plant and machinery [c]	18% [a]	18% [a]
Long–life assets [d], integral features [e], thermal insulation, high emission cars [c], solar panels ("special rate pool")	8% [a]	8% [a]
Low emission cars [f]	100%	100%
Research and development (R&D) [g]	100%	100%

a. Annual investment allowance (AIA) is given per business or per group of companies only. AIA is allocated against total expenditure on plant and machinery (other than cars), long-life assets and integral features. It is optional which class of asset the AIA is allocated against.
b. From 1 April 2014 (for corporation tax) or 6 April 2014 (for income tax) to 31 December 2015, the maximum AIA was temporarily increased to £500,000. The AIA is £200,000 from 1 January 2016. For periods which begin before, but end after 31 December 2015 the maximum AIA is pro-rated, subject to transitional provisions.
c. Cars with CO_2 emissions between 76 g/km and 130g/km are added to the main pool. Cars with CO_2 emissions that exceed 130g/km are added to the special rate pool. At Budget 2016, the Government confirmed these thresholds will reduce to 51g/km and 110g/km respectively from April 2018.
d. Applies to businesses spending more than £100,000 per annum (the monetary limit) on certain assets with a useful life of 25 years or more.
e. Applies to a prescribed list of assets covering: electrical systems; cold water systems; space or water heating systems, ventilation, air cooling or purification systems (and any floor or ceiling comprised in such systems) lifts, escalators or moving walkways; and external solar shading.

f. Cars with CO_2 emissions not exceeding 75g/km and electric vans are eligible for a 100% first–year allowance. At Budget 2016, the Government confirmed this CO_2 threshold will reduce to 50g/km from April 2018.
g. Applies to businesses incurring capital expenditure in carrying out R&D or providing facilities for carrying out R&D relating to their trade.

Under the enhanced capital allowances (ECA) scheme, a 100% first–year allowance is available for expenditure on designated energy saving or water conservation plant and machinery and for the purchase of 'green' vehicles or refuelling equipment. The ECA regime is revised annually to include some new technologies and remove other existing ones. Qualifying products are listed on a dedicated website at http://etl.decc.gov.uk/etl.

Payable ECAs allow loss–making companies to surrender the element of their losses attributable to their qualifying expenditure in return for a cash payment from Government. The rate of payable ECAs is 19%, but subject to a cap on the level of a company's PAYE and NIC liabilities or £250,000, whichever is the greater. Payable ECAs will be available until 31 March 2018.

100% capital allowances are available for trading companies investing in plant and machinery for use within certain designated enterprise zones for expenditure from 1 April 2012 to 31 March 2020. Businesses in certain sectors are not permitted to benefit from these allowances. The limit for investment is €125m.

Business Premises Renovation Allowances (BPRA) may be available at 100% on the conversion, renovation or repair of a property that has been empty for over 1 year and is within a designated area. The limit for allowances is €20m.

Tax relief is available for the cost of intangible assets (including goodwill and intangible property). This will, in most cases, be the level of amortisation/impairment recognised in the accounts. A fixed rate of 4% per annum may be applied on election. However, for goodwill and certain customer-related intangible fixed assets acquired on or after 8 July 2015 no amortisation or fixed-rate deduction is allowed. For such assets, debits arising on realisation are treated as non-trading debits.

Business expenditure on leased cars

A 15% restriction applies to lease rental payments with CO_2 emissions exceeding 130g/km. There is no leasing restriction for leased cars with emissions of 130g/km or below.

Patent Box

The Patent Box was introduced with effect from 1 April 2013. The regime effectively enables companies to apply a lower rate of Corporation Tax to profits attributable to patented products, processes and services. The relief is being phased in gradually such that by 1 April 2017 it is expected to provide for an effective Corporation Tax rate of 10% to the relevant profits, achieved by deducting an additional amount from trading profits. During the phasing-in period, the percentage of the additional amount to be deducted is as follows (2013/14: 60%; 2014/15: 70%; 2015/16 80%):

	Percentage
1 April 2016 – 31 March 2017 (see below)	90%
From 1 April 2017 (see below)	100%

The OECD's Base Erosion and Profit Shifting ('BEPS') project has driven a change in preferential intangibles regimes, including the UK's Patent Box. The principles behind the changes have been agreed by the Forum for Harmful Tax Practices and form part of BEPS Action 5 – 'Countering Harmful Tax Practices'. The changes are intended to limit access to preferential intangibles regimes to companies that can demonstrate that they were engaged in the substantive activities which gave rise to the profits benefitting from the preferential regime. R&D activity is used at the proxy for substance in this case.

As a result of these changes, the current UK Patent Box regime will only be available for patents that were filed (or acquired from a third party) before 1 July 2016. Grandfathering provisions mean that eligible companies can continue to take advantage of the current regime until 30 June 2021. The grandfathering provisions are complex. It is important to note that although a company must be a qualifying company by 30 June 2016 in order to be eligible for grandfathering provisions, the standard two year time limits for making the election into the regime apply.

The new Patent Box regime will be effective from 1 July 2016, running in parallel with those companies grandfathered under the current regime, and adds an extra step to the calculation of Patent Box benefit. In broad terms, it will limit the benefit by reference to the company's expenditure on developing, licensing or acquiring patents. Companies electing in to the Patent Box regime will be required to track their IP income and R&D expenditure from 1 July 2016, and trace it to the creation of specific IP assets, products or product families.

Research and development relief: revenue costs

The meaning of Research & Development (R&D) for these purposes and for the Capital Research & Development Allowances is set out in the BIS guidelines issued on 5 March 2004.

Large companies (i.e. those that are not SMEs – see below) can make claims under the R&D expenditure credits (RDEC) regime. Under this regime the benefit will be recorded as a taxable credit in operating profit and will be equal to 11% of the qualifying expenditure. Non-tax paying large companies can receive a cash payment equal to the net value of the credit subject to a cap based on the PAYE/NIC paid over to HMRC in respect of the staff costs included in the R&D claim and being a going concern at the time the claim is made.

Companies that are SMEs (see below) are entitled to an additional deduction of 130% of qualifying R&D expenditure. For non-taxpaying SMEs a cash alternative of up to 33.35 pence for every pound of qualifying expenditure may be available depending on their current year tax losses.

A cap limits the total amount of SME R&D a company can claim on each project to €7.5m and a going concern requirement applies.

An SME for R&D purposes is a company which, together with certain related enterprises, meets the EU definition but with higher limits such that it has fewer than 500 employees and either turnover not exceeding €100m or total assets not exceeding €86m.

For expenditure incurred on consumables that form part of a product which is then sold or transferred in the ordinary course of business, the cost of the consumable cannot be included in an R&D claim where that expenditure was incurred on or after 1 April 2015.

Vaccine Research Relief

In addition to the above, qualifying R&D expenditure in relation to specified vaccines and medicines attract a further 40% deduction from taxable profits for large companies. The relief is no longer available for SMEs, and the Government announced at Budget 2016 that the relief will end on 31 March 2017.

Large companies are required to make a declaration concerning the incentive effect of the relief they are claiming under this relief.

Diverted profits tax

With effect from 1 April 2015, the Government introduced a diverted profits tax.

The tax applies in two situations:

1. Where a non-UK company has artificially avoided having a taxable presence (permanent establishment) in the UK; or

2. Where a group has a UK company (or UK permanent establishment of a non-UK company) and there is a tax advantage as a result of an entity or transactions that lack economic substance.

The diverted profits tax applies to diverted profits arising on or after 1 April 2015 at a rate of 25%.

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