



For adviser use only – not approved for use with clients

Autumn Budget 2017 – initial analysis

22 November 2017

The Chancellor delivered his first Autumn Budget today. The following summary provides an overview of the main points set out in the budget and accompanying notes.

Pensions

Lifetime allowance

Despite recent speculation to the contrary, the lifetime allowance will be increased as planned from 6 April 2018 by 3%, in line with the increase in the Consumer Prices Index (CPI) in the 12 months to September 2017. This means an increase from £1 million to £1,030,000.

Life assurance and overseas pension schemes

Although short on detail, it has been announced that, from April 2019, tax relief on employer premiums paid to provide life assurance cover, or to certain overseas pension schemes, is to be modernised to cover policies where an employee nominates either an individual or a registered charity as their beneficiary. We look forward to seeing the Finance Bill for further details.

Master trust tax registration

It has been confirmed that, as announced in the Spring Budget 2017, HMRC will be given new powers to register and de-register mastertrust schemes, and schemes for dormant companies, from 6 April 2018. Following a recent consultation, the draft legislation on this is unchanged.

State Pensions

The basic State Pension will increase in April 2018 by 3% as a result of the triple lock. This will mean an increase of £3.65 per week to £125.95 per week for the full basic State Pension. The new State Pension will also be increased by the triple lock, resulting in an increase of £4.80 per week to £164.35 per week for the full new State Pension. Additionally, the triple lock increase will also be reflected in an increase to the standard minimum guarantee level included in Pension Credit.

Other

Enterprise Investment Schemes (EIS)

Currently an individual can invest up to £1,000,000 in any tax year in an EIS, receiving income tax relief at 30%. This maximum limit will rise to £2,000,000 in any tax year, provided the surplus over £1,000,000 is invested in one or more knowledge intensive companies.

Income Tax

The personal allowance will rise to £11,850 in 2018/19. The higher rate threshold will increase to £46,350 (with the exception of Scottish tax residents). The zero percent starting band for savings income remains at £5,000.

Tax treatment of trusts

A consultation will be published in 2018 looking at ways to make the tax treatment of trusts simpler, fairer and more transparent.

ISA threshold

This will be £20,000 for 2018/19. For Junior ISAs the threshold will rise in line with the CPI to £4,260.

Capital gains tax

The annual exemption will be £11,700 for individuals and £5,850 for trusts in 2018/19. For corporate investors, indexation relief (a relief for inflation) will be frozen, based on the Retail Prices Index (RPI) for December 2017. Corporate investors disposing of directly held investments such as shares and equity based collectives from 1 January 2018 will be impacted.

Stamp Duty Land Tax (not applicable in Scotland)

There will be no Stamp Duty Land Tax for first time buyers on properties valued at up to £300,000. Where the first time buyer purchases a property valued between £300,001 and £500,000, they won't be taxed on the first £300,000 and will be subject to tax at 5% on the excess. Where the property is worth more than £500,000 they won't receive any relief. These changes will apply to transactions on or after 22 November 2017, where the property will be their main residence.

2018/19 allowances and rates

	Tax year 2017/18	Tax year 2018/19
Income tax - allowances		
Personal Allowance	£11,500	£11,850
Income limit for personal allowance	£100,000	£100,000
Marriage allowance	£1,150	£1,185
Dividend allowance	£5,000	£2,000
Personal savings allowance - basic rate taxpayers	£1,000	£1,000
Personal savings allowance - higher rate taxpayers	£500	£500
Income tax – rates		
Main rates*		
Basic rate	20%	20%
Higher rate	40%	40%
Additional rate	45%	45%
Savings rates		
Starting rate – limit first £5,000 of savings income	0%	0%
Savings rate – basic rate	20%	20%
Savings rate – higher rate	40%	40%
Savings rate – additional rate	45%	45%
Dividend rates		
Dividends – basic rate	7.5%	7.5%
Dividends – higher rate	32.5%	32.5%
Dividends – additional rate	38.1%	38.1%
UK income tax bands*		
Basic rate	£1-£33,500	£1 - £34,500
Higher rate	£33,501-£150,000	£34,501 - £150,000
Additional rate threshold	£150,001 and over	£150,001 and over
* The Scottish Government will announce tax rates and bands for Scottish taxpayers in their Budget on 14 December 2017.		
Rate applicable to discretionary trusts		
First £1,000 of income	7.5% for dividend income or 20% for other income	7.5% for dividend income or 20% for other income

	Tax year 2017/2018	Tax Year 2018/2019
Rate applicable to trusts	45%	45%
Dividend rate	38.1%	38.1%
Pensions tax relief		
Lifetime allowance	£1,000,000	£1,030,000
Annual allowance	£40,000	£40,000
Money purchase annual allowance	£4,000	£4,000
Capital gains tax		
Annual exemption – individuals	£11,300	£11,700
Annual exemption – trustees	£5,650	£5,850
Basic rate – other than residential property	10%	10%
Basic rate – residential property	18%	18%
Higher rate – other than residential property	20%	20%
Higher rate – residential property	28%	28%
Trust rate – other than residential property	20%	20%
Trust rate – residential property	28%	28%
Inheritance tax		
Nil rate band	£325,000	£325,000
Main residence nil rate band	£100,000	£125,000
ISA thresholds		
Individual savings account	£20,000	£20,000
Junior ISAs	£4,128	£4,260
National Insurance		
Weekly lower earnings limit (LEL)	£113	£116
Weekly primary threshold (PT)	£157	£162
Weekly secondary threshold (ST)	£157	£162
Upper earnings limit (UEL)	£866	£892

	Tax year 2017/18	Tax year 2018/19
Employees class 1 contribution rates		
Below LEL	0%	0%
Between LEL – PT	0%	0%
Between PT – UEL	12%	12%
Above UEL	2%	2%
Employers class 1 contributions		
Below ST	0%	0%
Above ST	13.8%	13.8%



aegon.co.uk



@aegonuk



Aegon UK



Aegon UK