

# United Kingdom: selected tax rates and allowances; reforms to domicile rules

Note: the information below is based on information published or otherwise available after the Budget on 8 March 2017.

## Selected UK tax rates and allowances

### Corporation tax – financial year to 31<sup>st</sup> March 2018

19%

### Taxation of individuals – tax year 2017/18 (6<sup>th</sup> April 2017 – 5<sup>th</sup> April 2018)

#### Income Tax

	Rate	On taxable income (£)	Cumulative tax (£)
<b>Starting Rate for savings only</b>	0%	0–5,000	–
<b>Basic Rate</b>	20%	0–33,500	6,700
<b>Higher Rate</b>	40%	33,501–150,000	53,300
<b>Additional rate</b>	45%	Over 150,000	

#### Personal allowance

£11,500

This is deducted in arriving at taxable income. Where, however, income is above £100,000, the individual's personal allowance is reduced by £1 for every £2 of income above the £100,000 limit.

#### Rates of tax on dividend income for individuals

The first £5,000 of dividend income attracts a zero rate of income tax. Next year this allowance will be reduced from £5,000 to £2,000.

Thereafter:

Tax band	Tax rate on dividends over £5,000
<b>Basic rate (and non-taxpayers)</b>	7.5%
<b>Higher rate</b>	32.5%
<b>Additional rate</b>	38.1%

### **Special rates for trustees' income**

- Trust rate: 45%
- Dividend trust rate: 38.1%

### **National Insurance Contributions (Class I – employees)**

#### **Employees' contributions**

<b>Weekly earnings</b>	<b>Rate</b>
<b>£157.01 - £866</b>	12%
<b>Over £866</b>	2%

#### **Employers' contributions**

<b>Weekly earnings</b>	<b>Rate</b>
<b>Over £157</b>	13.8%

### **Capital gains tax**

#### **Gains accruing on the disposal of interests in residential properties that do not qualify for private residence relief, and gains arising in respect of carried interest**

- Individuals:
  - to income tax basic rate limit: 18%
  - above income tax basic rate limit: 28%
- Trusts and personal representatives: 28%

#### **Other gains**

- Individuals:
  - to income tax basic rate limit: 10%
  - above income tax basic rate limit: 20%
- Trusts and personal representatives: 20%

#### **Annual exemption**

- Individuals, personal representatives and certain trusts: £11,300
- Trusts generally: £5,650

#### **Gains subject to entrepreneurs relief or investors relief**

10%

### **Inheritance tax**

Death rates:

- Nil-rate band: £325,000
- Residence nil-rate band: £100,000
- Rate of IHT on excess: 40%

Chargeable lifetime transfers: 20%

## Value added tax – from April 2017

Standard rate: 20%

Compulsory registration threshold: £85,000

## Stamp duty land tax

Stamp duty land tax does not apply to transfers of land and leases in Scotland: Scottish land and buildings transaction tax applies instead.

### Except for “non-natural persons” (see below)

Residential property (From 1.4.16)	Rate	Higher rate applying to certain purchases	Non-residential property (From 17.3.16)	Rate
<b>On band of consideration</b>			<b>On band of consideration</b>	
<b>Up to £125,000</b>	Nil	3%	<b>Up to £150,000</b>	Nil
<b>£125,001-£250,000</b>	2%	5%	<b>£150,001-£250,000</b>	2%
<b>£250,001-£925,000</b>	5%	8%	<b>£250,001 or more</b>	5%
<b>£925,001-£1,500,000</b>	10%	13%		
<b>£1,500,001 or more</b>	12%	15%		

### “Non-natural persons”

Where a company, a partnership that includes a company or a collective investment scheme (a “non-natural person”) purchases residential property for consideration exceeding £500,000, the rate is 15%.

### Annual Tax on Enveloped Dwellings (2017-18)

This is charged where residential property is held by “non-natural persons”. Capital gains tax at 28% also applies to the disposal of such properties, regardless of where the “non-natural person” is established for tax purposes.

Property value	Annual charge
<b>More than £500,000 but not more than £1 million</b>	£3,500
<b>More than £1 million but not more than £2 million</b>	£7,050
<b>More than £2 million but not more than £5 million</b>	£23,550
<b>More than £5 million but not more than £10 million</b>	£54,950
<b>More than £10 million but not more than £20 million</b>	£110,100
<b>More than £20 million</b>	£220,350

## Reforms to domicile rules

From 6 April 2017 an individual will be deemed UK domiciled for income tax and CGT—

- if he/she has been UK resident for at least 15 out of the last 20 tax years, or
- if he/she was born in the UK with a UK domicile of origin, subsequently left the UK and acquired a non-UK domicile of choice and later becomes resident in the UK.

It has been announced that non-domiciliaries—

- caught by the deemed domicile 15-year rule in 2017/18 will be able to rebase their foreign chargeable assets for CGT purposes as at 5 April 2017, and
- will have a one-off opportunity to clean-up existing mixed funds within foreign bank accounts (transfers out should be made between 6 April 2017 and 5 April 2019).

## Important note

This note is necessarily selective and simplified. Moreover, tax law and policy can change very fast. The Finance Act 2017 will not become law until July 2017 and provisions are subject to amendment till then. Always take detailed, specific advice before taking, or deciding not to take, any action.