

Budget 2016



The following information is based on changes set out by the Chancellor in his Budget of 16 March 2016.

Income Tax

Rates

	%	2016/17	%	2015/16
Basic	20	up to £32,000	20	up to £31,785
Higher	40	£32,000 to £150,000	40	£31,786 to £150,000
Additional	45	Above £150,000	45	Above £150,000

Non-savings income is taxed as the first slice of income, followed by savings income and then dividends.

The basic rate of tax for dividends is 7.5% (2015/16 effective rate 0%). The higher rate of tax for dividends is 32.5% (2015/16 effective rate 25%) and the additional rate is 38.1% (2015/16 effective rate 30.6%). The 10% tax credit, which for 2015/16 satisfied any basic rate income tax liability, will be abolished. Individual taxpayers will instead receive a tax free dividend allowance of £5,000. Please note that this will still be treated as part of an individual's basic or higher rate bands of tax.

From April 2016 a Personal Savings Allowance will be introduced creating a tax free allowance of £1,000 for basic rate taxpayers (£500 for higher rate tax payers) applying to savings income.

This allowance will be in addition to the £5,000 (2015/16: £5,000) of taxable savings income taxed at 0% for certain low income earners.

Allowances

	2016/17	2015/16
Personal allowance:		
Those born after 5 April 1948 ^{(a)(b)}	£11,000	£10,660
Those born between 6 April 1938 and 5 April 1948 ^{(a)(b)}	£11,000	£10,600
Those born before 6 April 1938 ^{(a)(c)}	£11,000	£10,660

Note: (a) From April 2016 all individuals will be entitled to the same personal allowance, regardless of their date of birth.
(b) Progressively withdrawn for income over £100,000 leading to a marginal tax rate of 60% on income in the band £100,000 to £122,000 (£121,200 in 2015/16).
(c) Age-related element progressively withdrawn for income over £27,700 (2015/16: £27,700).

Non-UK domiciled individuals – levy to use remittance basis of taxation

	2016/17	2015/16
Resident in UK 7 out of the 9 preceding years	£30,000	£30,000
Resident in UK 12 out of the 14 preceding years	£60,000	£60,000
Resident in UK 17 out of the 20 preceding years ^(a)	£90,000	£90,000

Note: From April 2017, individuals who have been resident in the UK for more than 15 out of the past 20 tax years will be treated as deemed UK domiciled for all tax purposes.

Investment Reliefs

	2016/17	2015/16
Personal allowance:		
Enterprise Investment Scheme ^(a)	£1,000,000	£1,000,000
SEED Enterprise Investment Scheme ^(b)	£100,000	£100,000
Venture Capital Trust ^(a)	£200,000	£200,000
Social Investment Relief ^(a)	£1,000,000	£1,000,000

Note: (a) Relief restricted to 30%.
(b) Relief available up to 50%.

Individual Savings Accounts (ISA)

	2016/17	2015/16
Annual investment limit ^(a)	£15,240	£15,240

Note: (a) From April 2017 the Annual Investment Limit will be increased to £20,000. A Lifetime ISA will also be introduced for individuals under 40 which will allow individuals to save up to £4,000 each year and receive a 25% bonus from the government on this amount.

Pensions

	2016/17	2015/16
Annual contribution allowance 100% of salary up to ^(a)	£40,000	£40,000
Permitted pension contribution (irrespective of salary)	£3,600	£3,600
Lifetime benefit allowance	£1,000,000	£1,250,000

Note: (a) From April 2016 the annual contribution allowance will be tapered away from £40,000 to £10,000 for individuals whose income in the year exceeds £150,000. The minimum of £10,000 will apply to individuals whose annual income exceeds £210,000.

National Insurance Contributions

Rates

	2016/17	2015/16
Class 1 (earnings related)		
Lower earnings limit (LEL) (annual)	£5,824	£5,824
Upper earnings limit (UEL) (annual – employees only)	£43,000	£42,380
Upper accrual point (UAP) (annual)		£40,040
Earnings threshold (annual)		
Primary threshold	£8,060	£8,060
Secondary threshold	£8,112	£8,112
Employee rate (A Rate, Not Contracted-out):		
Between earnings threshold and UEL	12%	12%
Earnings above UEL	2%	2%
Employer rate ^(a) :		
Above earnings threshold	13.8%	13.8%
Employment Allowance	£3,000	£2,000
Class 2 (self-employed flat rate)		
Per week	£2.80	£2.80
Small earnings exception (per year)	£5,965	£5,965
Class 3 (voluntary): (per week)	£14.10	£14.10
Class 4 (self-employed)		
Lower profits limit LPL (per year)	£8,060	£8,060
Upper profits limit UPL (per year)	£43,000	£42,380
Rate:		
Between LPL and UPL	9%	9%
Above UPL	2%	2%

Note: (a) No employer NIC is due on payments made to employees under the age of 21 unless their pay exceeds the UEL of £42,380.

Reliefs

	2016/17	2015/16
Contracted out Class 1 relief (between LEL and UAP)		
Employee rate	Abolished	1.4%
Employer rate	Abolished	3.4%

Capital Gains Tax

	2016/17	2015/16
Rates		
Companies ^(a)	20%	20%
Individuals ^(b)	20%/10%	28%/18%
Reliefs		
Annual gains exemption for individuals	£11,100	£11,100
Chattels proceeds exemption	£6,000	£6,000
Enterprise Investment Scheme	100%	100%
SEED Enterprise Investment Scheme ^(c)	100%/50%	100%/50%
Venture Capital Trust	100%	100%
Social Investment tax relief	30%	30%
Principal private residence	100%	100%
Entrepreneurs' relief tax rate	10%	10%
Entrepreneurs' relief (cumulative lifetime allowance)	£10 million	£10 million
Entrepreneurs' relief for investors	£10 million	n/a

Note: (a) Assumes main rate taxpayer with chargeable gains within companies being subject to corporation tax rather than CGT.
(b) Higher rate; basic rate.
(c) 100% relief on gain on investment subject to conditions. Relief also available on reinvested gains of 50% up to maximum investment of 100,000.

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Inheritance Tax

	2016/17	2015/16
Nil ^(a)	Up to £325,000	Up to £325,000
40% ^(b)	Above £325,000	Above £325,000

Note: (a) Any unused nil rate band may be transferred to deceased's spouse or civil partner.
(b) Reduced to 36% where at least 10% of the net estate is left to a charity.

Car and Car Fuel Tax Rates

	2016/17	2015/16
CO2 Emissions		
0-50 g/km	7%	5%
51-75 g/km	11%	9%
76-94 g/km	15%	13%
Each additional 5 g/km	+1%	+1%
Diesel additional surcharge	+3%	+3%
Maximum rate	37%	37%

Note: The taxable benefit is the relevant rate multiplied by the list price of the car provided. If fuel is also provided the rates are multiplied by £22,200 (2015/16 £22,100). From 6 April 2017, the Fuel Benefit Charge multiplier for both cars and vans will increase by RPI.

Value Added Tax

	1 Apr 2016	1 Apr 2015
Standard rate	20%	20%
Lower rate	5%	5%
Registration limit – annual turnover above	£83,000	£82,000
Simplified arrangements – annual turnover below	£1,350,000	£1,350,000

Corporation Tax

	1 Apr 2016	1 Apr 2015
Main rate ^(a)	20%	20%
Profit threshold for quarterly instalment payments ^(b)	£1,500,000	£1,500,000
Loans to participators rate ^(c)	32.5%	25%

Note: (a) Ring fence profits are taxed at 30% with a small profits rate of 19% and a marginal relief fraction of 11/400.
(b) Reduced by reference to number of related 51% group companies.
(c) The increase from 25% applies from 6 April 2016.

Other Corporate Taxes

Diverted profits tax applies to large multinationals who enter into contrived arrangements to avoid a UK taxable presence on their business activities. Alternatively the tax applies where companies use transactions or entities lacking economic substance to create a UK tax advantage.

	2015/16
Diverted profits tax on UK 'generated' profits	25%

Intangible Assets

Patent Box

From 1 April 2013 profits from qualifying patent interests are taxed at 10%. This is being phased in over 5 years:

Year commencing 1 April	2013	2014	2015	2016	2017
Percentage of benefits available	60%	70%	80%	90%	100%

Research and Development Relief

	Additional deduction	
	1 Apr 2016	1 Apr 2015
SMEs additional expenditure deduction ^(a)	130%	130%
Large company additional expenditure deduction ^(b)	30%	30%
Large company R&D taxable expenditure credit ^(b)	11%	11%

Note: (a) SMEs which make losses can surrender the deduction in exchange for a payment of up to 14.5% (2014/15 14.5%) of the loss.
(b) From 1 April 2016 all large companies will be required to make a claim for the R&D expenditure credit.

Creative Industry Tax Reliefs

	Tax relief of up to ^(a)	
	1 Apr 2016	1 Apr 2015
Film tax relief – First £20 million/above £20million	25%	25%
High-end TV tax relief ^(b)	25%	25%
Video games tax relief	25%	25%
Theatre tax relief – Touring/Non-touring	25%/20%	25%/20%
Orchestra relief	25%	n/a

Note: (a) For profit making companies, tax relief is obtained by way of an additional deduction of 100% of enhanceable expenditure. All reliefs are capped at the lower of, UK expenditure or 80%, of the total qualifying expenditure.
(b) High-end TV tax relief includes relief for animation and from 1 April 2015 will also include relief for children's programming.

Capital Allowances

	2016/17	2015/16
Plant and machinery allowances		
Main pool writing down allowance ^(a)	18%	18%
Special rate pool writing down allowance ^(a)	8%	8%
Enhanced Capital Allowance ('ECA') for energy-efficient/ environmentally beneficial plant or machinery	100%	100%
First-year allowance for plant or machinery used in designated assisted areas within Enterprise Zones	100%	100%
Limit for 100% annual investment allowance ^(b)	£200,000	£500,000
Motor cars		
Emissions upper limit for ECA qualifying cars	75g/km	75g/km
Emissions upper limit for main pool qualifying cars	130g/km	130g/km
Research and development allowances	100%	100%
Business premises renovation allowances ^(c)	100%	100%
Land remediation relief	150%	150%
ECA tax credit	19%	19%
Land remediation tax credit ^(d)	16%	16%

Note: (a) Reducing balance.
(b) Annual Investment Allowance decreased to £200,000 from 1 January 2016.
(c) Relief to expire on 31 March 2017 for corporation tax and 5 April 2017 for income tax purposes.
(d) 24% of the net expenditure incurred, prior to any uplift for land remediation relief.

Insurance Premium Tax Rates

	1 Apr 2016	1 Apr 2015
General rate	9.5%/10%	6%/9.5%
Higher rate (certain policies)	20%	20%

Note: (a) The general rate increased to 9.5% as of 1 November 2015. The further increase in the general rate to 10% will be effective from 1 October 2016.

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Annual Tax on Enveloped Dwellings

ATED is payable at a fixed rate each year by companies, some partnerships and collective investment schemes that own UK dwellings otherwise than for a qualifying business purpose.

Property value	1 Apr 2016	1 Apr 2015
£500k to £1 million	£3,500	N/a
£1 million to £2 million	£7,000	£7,000
£2 million to £5 million	£23,350	£23,350
£5 million to £10 million	£54,450	£54,450
£10 million to £20 million	£109,050	£109,050
£20 million and over	£218,200	£218,200

Note: Tax charges to increase by CPI for future years.

Stamp Taxes

Stamp duty land tax ^(f)				Stamp duty /SDRT
UK (excluding Scotland) land transactions				
Rate payable ^(a)	Residential	Rate payable ^(a)	Non-residential or mixed use ^(e)	Transfers of shares
0%	£0-£125,000	0%	£0-£150,000	
2%	£125,001-£250,000	2%	£150,001-£250,000	
5%	£250,001-£925,000	5%	Over £250,000	
10%	£925,001-£1.5 million			0.5%/1.5% ^(c)
12%	Over £1.5 million			n/a
15% ^(b)	Over £500,000			n/a
3% ^(d)	Additional rate for additional properties			n/a

Note: (a) Rates that are applicable to the portion of the chargeable consideration which falls within each rate band.
 (b) Applicable to all of the chargeable consideration for purchases by companies and other 'non-natural persons' subject to exception.
 (c) Applicable to transfers of shares to depository receipt systems and clearance service systems subject to exception.
 (d) Additional 3% rate only applies to properties in excess of £40,000 and other exemptions can apply.
 (e) Applicable to the purchase of six more dwellings in a single transaction.
 (f) The rates for residential property apply from 1 April 2016. For non-residential or mixed use, these rates will apply from 17 March 2016.

Rent is taxed at 1% of its net present value (NPV) over £125k on the grant of a lease of residential property; and at 1% of so much of the NPV as exceeds £150k but not £5m and at 2% of so much of the NPV as exceeds £5 million on the grant of a lease of non-residential property.

Land and buildings transaction tax

Land transactions in Scotland ^(b)			
Rate payable ^(a)	Residential	Rate payable ^(a)	Non-residential or mixed use
0% ^(c)	£0-£145,000	0%	£0-£150,000
2% ^(d)	£145,001-£250,000	3%	£150,001-£350,000
5% ^(d)	£250,001-£325,000	4.5%	Over £350,000
10% ^(d)	£325,001-£750,000		
12% ^(d)	Over £750,000		

Note: (a) Applicable to portion of the chargeable consideration that falls within each rate band.
 (b) Applicable to purchases after 1 April 2015 subject to transitional provisions.
 (c) Plus 3% of the total consideration where an 'additional' home is purchased if the consideration exceeds £40k.
 (d) Plus 3% of the total consideration where an 'additional' home is purchased subject to exception.

Rent is taxed at 1% of its net present value over £150k on the grant of a lease of commercial property. Leases of residential property are exempt subject to exception.

Air Passenger Duty Rates from 1 April 2016

Flights originating from UK excluding NI and Scottish Highlands and Islands

	Lowest class ^(b)	Standard rate ^(b)	Higher Rate ^(c)
Destination bands			
Band A (0-2000 miles ^(a))	£13	£26	£78
Band B (above 2,000 miles ^(a))	£73	£146	£438

Note: (a) Distance from London to capital city of destination country.
 (b) The lowest class rate does not apply where there is only one class of travel and the seat pitch exceeds 40". Standard rate applies for any other class of travel.
 (c) Applies to aircraft over 20 tonnes with fewer than 19 seats.

Flights originating from Northern Ireland

	Direct ^(a)	Indirect
Destination bands	Reduced /Standard/Higher ^(c)	Reduced /Standard/Higher ^(c)
Band A (0-2000 miles ^(b))	£13/£26/£78	£13/£26/£78
Band B (above 2,000 miles ^(b))	£0/£0/£0	£73/£146/£438

Note: (a) Direct flights broadly refer to flights originating and beginning in Northern Ireland that are further than 2000 miles.
 (b) Distance from London to capital city of destination country.
 (c) The lowest class rate does not apply where there is only one class of travel and the seat pitch exceeds 40". The lowest class rate does not apply where there is only one class of travel and the seat pitch exceeds 40". Standard rate applies for any other class of travel. The higher rate applies to aircraft over 20 tonnes with fewer than 19 seats.

The government introduced an exemption from reduced rates of Air Passenger Duty (APD) from 1 May 2015 for children under 12 and from 1 March 2016 for children under 16.

Aggregates Levy

	2016/17	2015/16
Levy (price per tonne)	£2	£2

Landfill Taxes from 1 April 2016

Landfill Tax	Standard rate	Lower rate
UK landfill tax	£84.40	£2.65
Scottish landfill tax	£84.40	£2.65

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Climate Change

Supplies of commodity liable to:	2016/17	2015/16
Main rates of Climate Change Levy		
Electricity (£ per kilowatt hour)	0.00559	0.00554
Natural gas (£ per kilowatt hour)	0.00195	0.00193
Liquefied petroleum gas (£ per kilogram)	0.01251	0.01240
Any other taxable commodity (£ per kilogram)	0.01526	0.01512
Carbon Price Support rates of Climate Change Levy		
Natural gas (£ per kilowatt hour)	0.00331	0.00334
LPG (£ per kilogram)	0.05280	0.05307
Coal and other taxable solid fossil fuels (£ per gross gigajoule)	1.54790	1.56860
CPS rates of fuel duty		
Gas oil; rebated bioblend; kerosene (£ per litre)	0.04916	0.04990
Fuel oil; other heavy oil; rebated light oil (£ per litre)	0.05711	0.05730
Reduced rates		
Electricity	10%	10%
Natural gas/Liquefied petroleum gas/Any other taxable commodity	35%	35%

The budget proposals and other tax changes are summarised on these pages. The proposals may, however, be amended significantly before enactment. The content of this communication is intended to provide a general guide to the subject matter and should not be regarded as a basis for ascertaining liability to tax or determining investment strategy in specific circumstances. Although we endeavour to provide accurate and timely information, there can be no guarantee that such information is accurate as of the date it is received or that it will continue to be accurate in the future. No one should act upon such information without appropriate professional advice after a thorough examination of the particular situation.

Read KPMG's Budget 2016 response at kpmg.com/uk/budget2016



Michelle Quest
Partner

T: +44 (0)20 7694 6420
E: michelle.quest@kpmg.co.uk



Paul Harden
Director

T: +44 (0)20 7694 5419
E: paul.harden@kpmg.co.uk