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Following the UK Budget announced on 8 April 2017, the following is a summary of the major tax changes.

Tax efficient investments

The government has announced it will issue a new investment bond from NS&I with a 2.2% interest rate over three years. It is open to anyone who is UK resident, aged 16 or over and can save £100 to £3,000. As interest on the bond will be paid without any tax deduction it can be treated as part of the tax-free personal savings allowance available to basic and higher rate tax payers of £1,000 and £500 respectively. Currently market leading savings accounts match this offer and would similarly be tax free if within the personal savings allowance.

From 6 April, as well as the annual ISA contribution limit increasing to £20,000, younger adult savers (between 18 and 40) will be able to put in £4,000 to an ISA and receive a £1,000 bonus. The fund in this account can either be put towards a first home purchase or can be saved until the age of 60.

Value Added Tax Registration

The threshold for registration of businesses (whether incorporated or not) has been raised to £85,000 per annum. *The future earnings test for VAT registration is also subject to £85,000, being the income a business can expect to earn in the next 30 days at any point.*

Related to the above threshold, those unincorporated businesses, such as sole traders and partnerships, earning below this annual amount are allowed to wait until April 2019, before they will be required to keep digital tax records and update HMRC quarterly.

National Insurance contributions (NICs)

Self-employed individuals and those in partnerships will have changes to their NIC rates. Until April next year, the rate remains the same, that is 9% on income over £8,060 each year and Class 2 contributions due if the income is over £5,965.

From April 2018, Class 2 will be scrapped but the Class 4 NIC rate will rise to 10% and from April 2019 it will be 11%. This will mean increase the amount due if profits are in excess of £16,250. This is most likely being done with a view to match the employee contribution rate in future.

The rates for Class 1 employees basic and higher rate contributions and employers' contributions will remain at 12%, 2% and 13.8% respectively and from April will both employees and employers' contributions will start at £8,164, with earnings over £5,876 qualifying for state pension.

Corporation tax

No further changes to the corporation tax rate reduction plans have been announced.

For periods starting 1 April 2015 the rate is 20%. The rate will then fall to 19% for the years starting 1 April 2017, 2018 and 2019 and then will fall to 17% for any period starting 1 April 2020 (for all profits except ring fence profits from oil industries).

Personal tax

No changes to income tax rates or trust rate were announced being 20% at basic rate, 40% at higher rate and 45% at the additional and trust rates. The tax-free personal allowance will go up by £500 in April so basic rate tax will be due after £11,500. For higher rate taxpayers, this will be reduced by £1 for every £2 of net income over £100,000 as it is now so that no personal allowance will be due above £123,000. The higher rate threshold will increase to £45,000. The additional rate will still be due on annual income over £150,000.

The married couple's allowance income limit has increased by £300 to £28,000 and the allowance itself will go up from £1,100 to £1,150 in April.

Dividends

Currently shareholders may receive up to £5,000 tax free in dividends. This will be reduced to £2,000 from April 2018. Above these limits no change to the tax rates has been announced, so that dividends are taxed at 7.5% within the basic rate band, 32.5% in the higher rate band, and 38.1% if they are additional rate income or subject to trust rates.

Any dividends from ISAs will be unaffected by the above change.

Due to the above change in dividend allowance, a small company owner receiving income from salary and dividends will have more tax to pay if profits are £11,450 or £22,900 for a two-shareholder company, assuming all profits are extracted from the company as shown below in Tables 1 and 2.

Table 1

Sole shareholders/directors	2016/17		2017/18	
		Tax/NIC		Tax/NIC
	£	£	£	£
Profit in Company before Director's pay	11450		11450	
Director's pay x 2	-8112	6	-8164	0
Employer's NIC	0	0	0	0
Taxable profit	3338		3286	
Corporation Tax	-668	668	-624	624
Distributable profit	2670		2662	
Dividend (tax-free)	-2670		-2000	
Dividends (basic rate)	0	0	-662	50
Total tax due		674		674

Table 2

Two shareholders/directors	2016/17		2017/18	
		Tax/NIC		Tax/NIC
	£	£	£	£
Profit in Company before Director's pay	22900		22900	
Director's pay x 2	-16224	12	-16328	0
Employer's NIC	0	0	0	0
Taxable profit	6676		6572	
Corporation Tax	-1335	1335	-1249	1249
Distributable profit	5341		5323	
Dividend (tax-free)	-5341		-4000	
Dividends (basic rate)	0	0	-1323	99
Total tax due		1348		1348