RAYMOND JAMES®

October 2018

# BUDGET NEWSLETTER

A Budget in October is unusual, but there are two main reasons why the Chancellor's performance marginally pre-empted Halloween this year. The first is that we are now in the new cycle of Autumn Budgets and Spring Statements, the première of the latter having been made on 13 March. If the pundits are to be believed, the second reason is down to politics. Mr Hammond is reported to have wanted to get the Budget process underway before the next round of parliamentary battles over Brexit began again in earnest.

The 2018 Budget initially looked as if it was going to be a holding affair. Not only was it the final Budget before an as yet undefined Brexit is due to occur, it was also the last before the 2019 Spending Review is published. This will set out government expenditure for 2020/21 and, if the normal pattern is followed, the following two financial years (which would take it beyond the theoretical date of the next election).

For all the uncertainty, Mr Hammond had a better economic background than expected for the Budget. Back in the Spring, the Office for Budget Responsibility (OBR) was forecasting that the government would end up borrowing £45.2bn in 2017/18 and £37.1bn in this financial year. Ever since the actual numbers have been improving. The latest estimate for last year's borrowing is £39.8bn, while half way through the current financial year, figures released just over a week ago showed borrowing was £10.7bn less than at the same stage in 2017/18.

The better than forecast borrowing numbers, due primarily to lower than projected spending, gave the Chancellor welcome "wriggle room". However, his next door neighbour, the Prime Minister, effectively reapplied the straight jacket by her summer promise of £20bn a year extra for the NHS spending by 2023. Fortunately for Mr Hammond, while the OBR has now built that NHS expenditure into its new projections, it has also raised growth forecasts for the next three years compared with its Spring Statement estimates.

The OBR now sees growth being 0.4% higher in 2019 and 0.1% higher in both 2020 and 2021. Economic growth for the current year has been cut to just 1.3%, while even at the end of its projection period in 2023 growth is projected to be only 1.6%.

Inflation, running at 2.4% on the Consumer Price Index (CPI) measure (and 3.3% on the old Retail Price Index (RPI) yardstick), is expected by the OBR to fall to 2.0% in 2019 and remain at that level in the following year. Overall the OBR has marginally nudged up inflation expectations. While working-age benefits generally remain frozen for 2019/20, the government finances still show the effect of the volume of gilts – both index-linked and conventional – that has been issued since the financial crisis: overall debt interest in 2019/20 is forecast to be

£52bn. As a result of the need to finance maturing issues, the Treasury will have £132.7bn gross of borrowing to undertake in 2019/20.

So what did emerge from such a constrained Budget? Mr Hammond was keen to echo Theresa May's conference talk about the end of austerity, although the Chancellor was far from turning the spending taps full on. There were a few pleasant surprises, but other measures were clearly aimed at revenue raising:

- The personal allowance will be raised by £650 to £12,500 for 2019/20, meeting the 2020/21 target set out in the 2017 Conservative manifesto.
- There will be a £3,650 rise in the higher rate threshold for 2019/20, to £50,000, again matching the manifesto target. This will as usual not apply fully to Scotland, which sets its own tax rates and thresholds for non-savings and non-dividend income. For the first time Wales will also have the power to set income tax rates (but not bands) for non-savings and non-dividend income in the coming tax year, although no changes are anticipated.
- The increase in the higher rate threshold means a corresponding increase in the threshold of full rate National Insurance contributions (NICs) for employees and the self-employed.
- A £300 increase in the capital gains tax annual exemption to £12,000 will occur in 2019/20.
- There will be an inflation-linked increase in the lifetime allowance to £1.055m – and no changes to the annual allowance.
- The rules on entrepreneurs' relief are being tightened up, including from 2019/20 a doubling of the minimum period during which the qualifying rules must be met from 12 months to 24 months.
- The annual investment allowance (AIA) will increase to £1 million for all qualifying expenditure made in the two years from 1 January 2019.

In this Bulletin we look at the impact of the main changes on various groups of taxpayers. The categorisation is inevitably rather arbitrary, so it pays to read all sections. Similarly, several of the tax planning points – such as those listed below in our 12 Quick Tax Tips – are universal.

If you need further information on how you will be affected personally, you are strongly recommended to consult your wealth manager.

RAYMOND JAMES®

## 12 QUICK TAX TIPS

1. Don't waste your (or your partner's) £12,500 personal allowance in 2019/20.
2. Don't forget the personal savings allowance, reducing tax on interest earned.
3. Don't ignore National Insurance contributions – they are really a tax at up to 25.8%.
4. Think *marginal* tax rates – the system now creates 60% (and higher) marginal rates.
5. ISAs should normally be your first port of call for investments and then deposits.
6. Remember the Help to Buy ISA is withdrawn for new investors from December 2019.
7. Even if you're eligible for a LISA, you still might find a pension is a better choice.
8. Tax on capital gains is usually lower and paid later than tax on investment income.
9. Trusts can save inheritance tax, but suffer the highest rates of CGT and income tax.
10. File your tax return on time to avoid penalties and the taxman's attention.
11. If you must have a company car, consider a hybrid to save income tax.
12. Don't assume HMRC won't know: automatic information exchange is now widespread

## INVESTORS AND SAVERS

### The Personal Allowance

In their 2017 manifesto, the Conservatives reaffirmed their goal of a £12,500 personal allowance by 2020/21. The announcement of a personal allowance of £12,500 for 2019/20 means that target has been met one year early. However, the change is a one-off item as in 2020/21 the allowance will be frozen, before rising in line with CPI in future tax years.

Many people do not even use the current personal allowance (£11,850 in 2018/19), and in 2019/20 there will be a gap of nearly £3,900 between the allowance and the starting point for National Insurance contributions (£8,632). At the other end of the income scale, some taxpayers will have no personal allowance in 2019/20 because their income exceeds £125,000, at which point their allowance is tapered to nil.

If you or your partner do not use the personal allowance to the full, you could be paying more tax than necessary. There are several ways to make sure you maximise use of your allowances:

- Choose the right investments: some investments do not allow you to reclaim tax paid while others are designed to give capital gain, not income.
- Couples should consider rebalancing investments so that each has enough income to cover their personal allowance.
- Make sure that in retirement you (and your partner) each have enough pension income. On its own, state pension provision is not enough, be it the new state pension (projected to be up to £168.60 a week in 2019/20) or the old state pension (projected to be £129.20 a week for those who reached State Pension Age before 6 April 2016).
- If one of you pays tax at no more than basic rate and the other is a non-taxpayer, check whether it is worth claiming the transferable married allowance (£1,190 in 2018/19, rising to £1,250 in 2019/20).

### The Personal Savings Allowance

The personal savings allowance (PSA) first took effect in 2016/17, with its levels unchanged since then. Broadly speaking, if you are a:

- **basic rate taxpayer**, the first £1,000 of savings income you earn is untaxed;
- **higher rate taxpayer**, the first £500 of savings income you earn is untaxed;
- **additional rate taxpayer**, you do not receive any personal savings allowance.

'Savings income' in this instance is primarily interest, but also includes gains made on investment bonds. Although called an allowance, the reality is that the PSA is a nil rate tax band, so it is not as generous as it seems. The PSA's arrival means that banks, building societies, National Savings & Investments and UK-based fixed interest collective funds have stopped deducting tax from interest. Thus, if your interest income exceeds your savings allowance, you could have tax to pay.

If you and your spouse/civil partner receive substantial interest income, it is worth checking that you both maximise the benefit of the PSA. However, at current still low interest rates – even after the August base rate increase – you might also want to consider whether you could earn a higher income by choosing non-deposit investments.

## The Dividend Allowance

The dividend allowance started life in 2016/17. At the time it was part of a reform of dividend taxation, stealthily designed to raise more revenue. The main target was private company shareholders who use dividends rather than salary to extract profits and thereby avoid National Insurance contributions.

An unchanged allowance for 2019/20 means that the first £2,000 of dividends you receive is not subject to any tax in your hands, regardless of your marginal income tax rate. Once the £2,000 allowance is exceeded, there is a tax charge, at a higher rate than in tax years before 2016/17. Like the personal savings allowance, the dividend allowance is really a nil rate band, so up to £2,000 of dividends do not disappear from your tax calculations, even though they are taxed at 0%.

With the yield on UK shares a little over 4%, a portfolio worth £50,000 or more could attract additional tax on dividend income, even for a basic rate taxpayer.

## The Starting Rate Band

In 2016/17, the starting rate band for savings income was launched at £5,000 and a tax rate of 0%. No changes to the original band or rate have been made for 2019/20. The truth is that most people are not able to take advantage of the starting rate band: if your earnings and/or pension income exceed £17,500 in 2019/20, then that probably includes you. However, if you (or your partner) do qualify, you will need to ensure you have the right type of investment income to pay 0% tax.

> **Planning Points:** If you don't anticipate using all your personal allowance or personal savings allowance in 2018/19 think about creating more income by closing deposit accounts before 6 April and crystallising the interest in this tax year. But beware early closure penalties and shutting down accounts with better interest rates than are available now!

For next tax year, think about who should own what in terms of investments and savings. The savings and dividend allowances mean it is not simply a question of loading as much as possible on the lower rate taxpayer of a couple. In theory, you will each be able to receive an income of up to £20,500 a year tax free in 2019/20, but only if you have the right mix of earnings, savings income and dividends.

## Capital Gains Tax (CGT)

Capital gains are currently taxed as the top slice of income, but the rates are lower than those that apply to income not covered by allowances. Gains are generally taxable at 10% to the extent they fall in the basic rate band (£34,500 in 2018/19 and £37,500 in 2019/20) and 20% if they fall into the higher or additional rate bands. An additional 8% applies to gains on residential property and carried interest. For 2019/20, the capital gains tax annual exemption will rise by £300 to £12,000.

The tax rates and annual exemption mean that if you can arrange for your investment returns to be delivered in the form of capital gains rather than income, you will often pay no tax on your profits. While investment decisions should never be made on tax considerations alone, traditionally favouring capital gains over income when setting your investment goals has been a sensible approach. However, up to the £2,000 level of the dividend allowance, this is no longer automatically the case.

> **Planning Point:** If you do not use your £11,700 annual exemption by Friday 5 April 2019, you will lose it and a possible tax saving of over £3,200. If you have gains of over the exempt amount to realise, it could be worth deferring the excess until after 5 April to gain another annual exemption and defer the CGT bill until 31 January 2021. Remember too that CGT on residential property gains (eg buy-to-let) will be payable within 30 days of sale from 2020/21.

## Individual Savings Accounts (ISAs)

The annual ISA investment limit for 2019/20 will be an unchanged £20,000. There also appears to be no change in the limit for the Lifetime ISA (LISA), which was launched in April 2017 and has so far attracted much comment but only limited interest – it did not even receive a comment in the Budget papers. The limit for the Junior ISA (JISA), which is attracting more university-fee-planning investors, will rise marginally from £4,260 to £4,368, as will the child trust fund (CTF) investment ceiling.

ISAs have long been one of the simplest ways to save tax, with nothing to report or claim on your tax return. The arrival of the LISA complicated matters, as it sits somewhere between the traditional ISA and a pension plan. If you are thinking of a LISA instead of either of these, you would be well advised to seek advice before taking any action.

Over time substantial sums can build up in ISAs: if you had maximised your ISA investment since they first became available in April 1999, you would by now have placed over £200,000 largely out of reach of UK taxes.

> **Planning Point:** The Help to Buy ISA will be closed to new investors from 1 December 2019, although existing investors will be able to continue to contribute for another 11 years.

## Venture Capital Trusts (VCTs) and Enterprise Investment Schemes (EISs)

VCTs and EISs have been subject to many rule changes in recent years, with some significant reforms being announced in last year's Budget. Those reforms changed the nature of some schemes; for example, they included:

- **A "risk to capital" requirement** This focuses the investment made by VCTs, EISs and seed enterprise investment schemes (SEISs) on companies where there is a real risk to the capital being invested and excludes from investment those companies and arrangements intended to provide "capital preservation".

- **Increased limits for investments in knowledge-intensive companies** The amount an individual may invest under the EIS in a tax year was doubled to £2 million from 6 April 2018, provided any amount over £1 million is invested in one or more knowledge-intensive companies. Similarly, the annual investment limit for knowledge-intensive companies receiving investments under the EIS and from VCTs doubled to £10 million, although the lifetime limit remains at £20 million.

- **Further VCT rules tightening** Several other changes were made to VCT rules in the Finance Act 2018, including faster investment of the capital raised and, from 2019/20, an 10% increase to 80% in the proportion of VCT funds that must be held in qualifying holdings.

The Budget made minor improvements to the rules for some approved EIS funds from 2020/21, but otherwise left the venture capital regime unchanged.

Interest in VCTs, EISs and SEISs has grown as more aggressive forms of tax planning have come under sustained (and largely successful) HMRC attack and pension opportunities have been further constrained. In 2017/18 there was a 34% increase in VCT investment, which followed on from a 19% rise in the previous year.

> **Planning Point:** The best VCT offers can sell out quickly – even before you read about them in the weekend press. Supply is likely to be disrupted by the recent changes, so do be sure you let us know if you want to make any VCT investment in 2018/19.

### Pay Later, Not Now?

For higher and additional rate taxpayers, there can be a case for considering the options for tax deferral, once the decision on which sector to invest in has been made. The potential advantages and disadvantages of tax deferral include:

- What would be going to the Treasury instead remains invested, enhancing potential returns.
- There is the possibility that tax rates will be lower when the investment is realised. The opposite risk is that the 50% top tax rate could reappear under a new government, which might emerge at any time.
- Some tax liability might disappear completely. For example, under current rules there is generally no capital gains tax on death.
- The investor may change their country of residence, giving rise to a lower tax rate or possible tax savings during the period of transition between the old and new homes.

There is a variety of tax-deferral options available but, as ever, advice is needed in making the 'customer' a client of HMRC.

## ESTATE PLANNERS

### Nil Rate Band

The nil rate band reached its current level of £325,000 in April 2009. It has been frozen since then and the freeze will continue until at least April 2021. Had the nil rate band been increased in line with CPI inflation, it would be close to £410,000 in 2019/20.

A frozen nil rate band drags more estates into the IHT net and, if you are already caught, adds to the amount of tax that will be levied. Since April 2009, average UK house prices are up by about 44%, according to Nationwide, and UK share prices have risen by around 100% (March 2009 marked their low point in the wake of the financial crisis).

### Residence Nil Rate Band

The Residence Nil Rate Band (RNRB) came into effect on 6 April 2017 with an initial figure of £100,000. For 2019/20 the RNRB will rise to £150,000, en route to reaching £175,000 in 2020/21, after which increases will be inflation-linked. It does help to ease the burden of IHT for many estates, but it is by no means a panacea. The RNRB rules are fiendishly complex – so much so that the Budget announced minor technical changes to correct earlier legislative errors. Despite the growing impact of the RNRB, the government's IHT tax take is still expected to carry on increasing according to the OBR projections.

### IHT Yearly Exemptions

The nil rate band freeze makes the yearly IHT exemptions all the more important:

- **The £3,000 annual exemption**. Any unused part of this exemption can be carried forward one tax year, but it must then be used *after* the £3,000 exemption for that year. So, for example, if you made a gift of £1,000 covered by the annual exemption in 2017/18, you can make gifts totalling £5,000 covered by the annual exemption in 2018/19 by 5 April 2019.
- **The £250 small gifts exemption**. You can make as many outright gifts of up to £250 per individual per tax year as you wish free of IHT, provided that the recipient does not also receive any part of your £3,000 annual exemption.

- **The normal expenditure exemption**. Any gift that you make is exempt from IHT if:
    - it forms part of your normal expenditure; and
    - taking one year with another it is made out of income; and
    - it leaves you with sufficient income to maintain your usual standard of living.

### IHT Simplification

In January the Chancellor asked the Office of Tax Simplification (OTS) to examine ways in which IHT could be simplified. An initial OTS response was expected in time for the Budget, but nothing emerged on 29 October. It now seems likely that any OTS proposals or actions by the Chancellor will have to await the Spring Statement. The delay provides an extended window of opportunity to make lifetime gifts under the current rules, which might be simplified into something less generous

### Will Review

The arrival of the RNRB should have meant that you reviewed your Will. One of the stranger consequences of another nil rate band – albeit one only available at death – has been that it may require you to make gifts away from a surviving spouse or civil partner on first death, if you want to minimise your joint IHT bill.

> **Planning Point:** If you are making an annual exemption gift by way of a cheque, remember that legally the gift is only made once the cheque is cleared. Friday April 5 is the final banking day of 2018/19.

## BUSINESS OWNERS

### Corporation Tax Rate

The rate of corporation tax fell to 19% for the financial year starting on 1 April 2017. A further reduction to 17% from April 2020 was legislated for in Finance Act 2016. Although a while ago there was some talk about cutting rates to below 15%, this idea disappeared and was replaced by hints that the 2020 cut would not happen. However, the Budget confirmed that the reduction to 17% remained in place.

The falling rate of corporation tax is one of the reasons why the reform of dividend taxation was introduced from 2016/17. Lower corporation tax rates strengthen the case for incorporation as an attractive tax option for business people. Operating via a company creates the opportunity to draw income as dividends, free of NICs, and shelter profits at a corporation tax rate that is below the basic rate of income tax – rather than personal tax rates on earnings of up 45% (46% in Scotland).

### Capital Allowances

Capital allowances have been subject to a variety of changes in recent years, ostensibly to encourage an increase in business investment.

The Annual Investment Allowance (AIA), which gives 100% initial relief for investment in plant and machinery, was reduced to £200,000 from 1 January 2016. In the Budget the Chancellor announced that the AIA would increase to £1,000,000 for two years from 1 January 2019.

The timing of any investment needs careful attention if your financial year end is not 31 December. For example, if your financial year ends on 31 March, then the AIA for your 2018/19 financial year is pro-rated to £400,000 (£200,000 x 0.75 + £1,000,000 x 0.25). To gain the full £1m allowance you would have to make your plant and machinery investment after 31 March 2019 rather than in January 2019.

## Pension Changes

There were several important pension changes that took effect on 6 April 2018, with more due in April 2019:

- Auto-enrolment minimum contributions into pension arrangements increased in April 2018 and will do so again in April 2019.
- It is expected that, as happened in recent years, the earnings threshold for auto-enrolment in 2019/20 will *not* rise in line with the personal allowance and will thus remain at £10,000.
- The lifetime allowance rose by £30,000 to £1.03m in April 2018, after a series of cuts that reduced the allowance from £1.8m to £1.0m. Indexation will mean another £25,000 from April 2019 to £1.055m. However, there is no increase to the annual allowance.
- Changes to women's state pension age (SPA) continue to work through the system. Women's SPA will reach 65 in November 2018. A little under two years later both men and women will share a SPA of 66.

> **Planning Point:** The total automatic enrolment contribution rate rises from 6 April 2019 to 8% of band earnings from 5%, of which the employer minimum increases by half to 3%. Thus, many employees will see a two thirds increase in their contribution rate. Higher earning employees are also likely to see a further significant rise in the earnings on which they pay contributions because of the increase in the higher rate threshold, which currently sets the upper limit for 'band earnings'. It would be wise to make them aware of the increase before it – potentially – cuts their net pay.

## Employer's National Insurance Contributions

Last tax year marked the introduction of measures to curtail cafeteria remuneration packages, which had allowed employees to sacrifice salary for less highly taxable (and NICable) benefits. Most newly established arrangements are now subject to employer's 13.8% NICs (and taxed on the employee) based on the amount of salary given up rather than the notional value of the fringe benefit (if any). Transitional provisions for pre-6 April arrangements gave some limited exemptions, most notably for salary sacrifice schemes linked to pension contributions. Salary sacrifice for pension contributions remains favourably treated. The increase in the upper earnings limit from £46,350 to £50,000 adds to the attraction of this route.

The terms of the Employment Allowance, which can reduce an employer's Class 1 NIC liability by up to £3,000 a year, will be amended from 2020/21. Employers will only be able to claim the allowance if their total employer NICs paid in the previous tax year was less than £100,000.

> **Planning Point:** The old salary sacrifice rules continue for up to four years for company cars where the sacrifice arrangement was in place by 5 April 2017.

## Dividends or Salary...

Regular changes to National Insurance contributions and tax rates have altered the mathematics of the choice between dividends and salary, with the cut in the dividend allowance to £2,000 in 2018/19 being the most recent revision to have an impact. For shareholder/directors able to choose between the two, and not caught by the IR35 personal company rules, a dividend remains the more efficient choice even if no dividend allowance is left, as the example below shows. However, a pension contribution (within the annual allowance provisions) could avoid all immediate tax and NIC costs.

Sidestepping IR35 will become harder from April 2020 as the Budget announced that the employer-based operation of off-payroll working rules, which currently apply to the public sector will be extended to private sector employers, other than 'small organisations'. The change will mean that responsibility for operating the off-payroll working rules will move from individuals to the organisation, agency or other third party engaging the worker.

## ….Or nothing at all?

For some business owners, the ultimate way to limit their tax bill is to choose to leave profits in the company rather than draw them either as dividend or salary. With the top rate of income tax currently at 45% (46% in Scotland) - and marginal rates potentially much higher - there is an obvious argument for allowing profits to stay within the company, where the maximum tax rate is 19% and is set to fall to 17%.

This strategy has tax risks in terms of eligibility for CGT entrepreneurs' relief and inheritance tax business property relief. Money left in the company is also money exposed to creditors, so professional advice should be sought before turning a business into a money box.

## Make Mine a Dividend

A director/shareholder has £25,000 of gross profits in his company which he wishes to draw, either as bonus or dividend. Assuming the company pays corporation tax at the rate of 19% and the director already has annual income in excess of £47,700, of which dividends already account for more than the dividend allowance, the choice can be summarised thus:

| | BONUS £ | | DIVIDEND £ | |
|---|---|---|---|---|
| | HIGHER RATE | ADDITIONAL RATE | HIGHER RATE | ADDITIONAL RATE |
| Marginal gross profit | 25,000 | 25,000 | 25,000 | 25,000 |
| Corporation tax @ 19% | N/A | N/A | (4,750) | (4,750) |
| Dividend | N/A | N/A | 20,250 | 20,250 |
| Employer's National Insurance Contributions £21,968 @ 13.8%^ | (3,032) | (3,032) | N/A | N/A |
| Gross bonus | 21,968 | 21,968 | N/A | N/A |
| Director's NICs £21,968@ 2% | (439) | (439) | N/A | N/A |
| Income tax * | (8,787) | ( 9,886) | (6,581) | (7,715) |
| **Net benefit to director** | **12,742** | **11,643** | **13,669** | **12,535** |

*^ The Employment Allowance is assumed to be used or unavailable.*

**Tax on dividends at 32.5% for higher rate taxpayer and 38.1% for additional rate taxpayer.*

## EMPLOYEES

### Company Cars

The company car benefit scales undergo another uplift in 2019/20, marking another turn of the screw on this still popular fringe benefit. As the table below shows, this is not the end of the story:

| TAX YEAR | CHANGES |
|---|---|
| 2019/20 | • 3% will be added to all the scale charges, making the minimum charge 16% for vehicles in the 0g/km-50g/km emission band.<br>• The additional charge for a diesel car remains at 4% unless it meets the RDE2 emission standards (which it almost certainly will not).<br>• The maximum charge is unchanged at 37% and will apply for petrol engine cars with emissions of 165g/km and above and diesel engine cars with emissions of 145g/km and above. |
| 2020/21 | • A radical overhaul will take place to car scales for ultra-low emission vehicles<br>  ○ Cars with zero emissions will be subject to a charge of only 2%.<br>  ○ For cars with emissions of 1g/km-50g/km, the benefit percentage will be based on the electric range figure, varying from 2% for a range of at least 130 miles to 14% if the range is below 30 miles.<br>• For cars with emissions of 51g/km-54g/km, the benefit charge will be 15%. For each complete 5g/km thereafter above 50g/km there will then be an additional 1% benefit charge, eg 72g/km will attract a 19% (15% + 4%) charge.<br>• The additional charge for a diesel car will continue at 4% unless it meets the RDE2 emission standards.<br>• The maximum charge will be unchanged at 37% and will apply for petrol engine cars with emissions of 160g/km and above and diesel engine cars with emissions of 140g/km and above. |

Once again in 2019/20, the changes will increase the tax on low-emission cars significantly because the same 3% addition applies to all vehicles, whether the existing (2018/19) charge is 13% or 37% (where there is no change as the maximum is unaltered). For example, the scale benefit charge on a BMW i3 Range Extender hybrid with just 12g/km emissions will rise from 13% in 2018/19 to 16% in 2019/20, increasing the tax payable by almost a quarter. At the other end of the Bavarian 3 series range, the scale benefit charge on the faster, more polluting (and arguably more exciting) M3 with 204g/km emissions will be unchanged at the maximum 37%.

If you are changing your car later this tax year or next tax year, think ahead of what it will cost you in tax terms immediately and after the reform in 2020/21. It may make sense to accept cash instead, if you have the option.

> **Planning Point:** If you currently enjoy 'free fuel' but your private mileage is modest, you could be better off paying your own way, even if your employer does not compensate you for the lost benefit. Fuel scale charges now go up each year in line with the RPI, even if fuel prices fall. For 2019/20 the fuel scale multiplier will be £24,100

## Pensions

The pensions landscape has altered dramatically in recent years and continues to change. As a reminder:

- Automatic enrolment for employees in a workplace pension arrangement is now fully in force, with new employees automatically enrolled. The first increase in the minimum contribution rates took place from April 2018, raising the total (employer and employee) contributions from 2% of "band earnings" (£6,032 - £46,350 in 2018/19) to 5%. For most employees, this meant their contribution rate tripled to 3%, whereas for employers the minimum contribution rates doubled to 2%. In April 2019 another increase is due, taking the total rate to 8%, of which the employer minimum rate is 3%. Most employees will thus see their contributions rise by two thirds, from 3% to 5% of band earnings (£6,188 to a likely £50,000 in 2019/20). However, pension experts generally agree that the 8% total rate is still too low to achieve an adequate retirement income.

- The new state pension started in April 2016, replacing both the basic state pension and the second state pension (S2P). In the long term the reform will create more losers than winners as the earnings-related element has been removed.

- State pension ages (SPAs) continue to rise. By November 2018, the SPA for men and women will have been equalised at 65. In the following month the first phase of the next increase to a SPA of 66 will begin. That will end by October 2020. An increase to 67 is then due between April 2026 and March 2028. The rise to 68 is scheduled between April 2037 and March 2039, although the necessary legislation will not appear for some years. By 2050 – so if you are 37 or under now – you could be facing a SPA of 69.

- The lifetime allowance had its first indexation-linked rise in 2018/19, to £1.03m, after three cuts had reduced its value by 44%. Another indexation increase, to £1.055m, was announced in the Budget.

> **Planning Point:** The carry forward rules allow unused annual allowances to be carried forward for a maximum of three tax years. Thus 5 April 2019 will be your last opportunity to rescue unused allowance of up to £40,000 from 2015/16.

## Salary Sacrifice

National Insurance contributions (NICs) can cost up to 25.8% of gross pay – up to13.8% for the employer and 12% for the employee. The corollary is that avoiding NICs can save up to 25.8% of pay. A widely applied example of turning NICs to an advantage is in the use of salary sacrifice to pay pension contributions. Instead of the employee making personal contributions out of their net pay, the employee accepts a lower salary and the employer makes a pension contribution. If the employer passes on all of the NIC saving, the pension contribution could be up to almost 34% higher, as the example shows.

## A Worthwhile Sacrifice

| | PERSONAL CONTRIBUTION | | SALARY SACRIFICE EMPLOYER CONTRIBUTION (SACRIFICED AMOUNT + NIC SAVING) | |
|---|---|---|---|---|
| **TAX RATE** | **20%** | **40%** | **20%** | **40%** |
| | **£** | **£** | **£** | **£** |
| Gross Salary | 1,000 | 1,000 | Nil | Nil |
| Employer Pension Contribution | Nil | Nil | 1,138 | 1,138 |
| Employer NI Contribution (13.8%) | 138 | 138 | Nil | Nil |
| Total Employer Outlay | 1,138 | 1,138 | 1,138 | 1,138 |
| Employee Salary | 1,000 | 1,000 | Nil | Nil |
| Less Income Tax | (200) | (400) | | |
| Less NI Contributions (12%/2%) | (120) | (20) | | |
| Net Pay = Net Pension Contribution | 680 | 580 | | |
| Tax Relief | 170 | 387 | | |
| **Total Pension Contribution** | **850** | **967** | **1,138** | **1,138** |

**Planning Point:** On 6 April 2016 the standard lifetime allowance was reduced to £1,000,000. It was subsequently increased to £1,030,000 on 6 April 2018 and will rise again to £1,055,000 from 6 April 2019. However, there is still the possibility of claiming transitional protection of up to £1,250,000.

## RETIREE/AT RETIREMENT

### The Pension Landscape in Autumn 2018

There have been many changes to pensions in recent years, with another significant set of reforms having taken effect in April 2016. These include:

- Three reductions in the standard lifetime allowance brought it down from £1.8m in 2011/12 to £1m for 2016/17. This allowance effectively sets a tax-efficient ceiling for the value of pension benefits and, from April 2018, started to rise annually in line with CPI inflation, meaning it will be £1.055m in the coming tax year.

- Further increases to State Pension Age (SPA), both legislated for and planned. For women, SPA will be 65 from next month. In December 2018 the next step up to a SPA of 66 begins.

- New rules, which have given much greater flexibility in drawing benefits from money purchase schemes, started on 6 April 2015 and have encouraged many people to turn their entire pension pot into (mostly taxable) cash. The new flexibility was accompanied by more generous tax treatment of death benefits, adding to the opportunities pensions offer for estate planning.

- The single-tier state pension started on 6 April 2016. If you are near to state pension age, it is worth checking whether your National Insurance contribution record will gain you the maximum available.

## Interest Rates: Above 0.5% at last…

When the Bank of England base rate was cut to 0.5% on 5 March 2009, nobody anticipated that it would remain unchanged until 2016 and then be halved to 0.25%. Even now, after the Bank increased the Bank Rate to 0.75% in August, the OBR does not expect a rate of 1.5% to be reached until the end of 2023.

The main UK banks seem to have long since given up competing for deposits in this low interest rate environment - witness the fact most have only passed on the full Bank Rate increase to borrowers. The best instant access rates for new accounts are now from new and challenger banks at around 1.5%, A similar picture emerges for cash ISAs, where the best rates for instant access are around 1.4%.

If low interest rates are a concern to you:

- Make sure you take maximum advantage of your personal savings allowance and, where possible, your starting rate band.
- Maximise your cash ISAs, which pay interest tax free.
- Regularly check the interest rate on all your deposit accounts. Just because the Bank of England has increased Bank Rate, do not assume your deposit rate will move in the same way. It is especially important to watch accounts with bonus rates – once the bonus goes they can look very unattractive. Do not simply wait for the next statement: if you are only earning 0.1%, you need to know now.
- Be wary of tying your money up in a fixed-term deposit for five or more years simply to achieve an interest rate only around 2.7%. A lot can happen in five years, not the least of which is a general election.
- Consider investing in UK equity income funds, where yields of 4% and more are widely available. You will lose capital security, but your initial income would be usefully higher and the dividend allowance currently lets you receive £2,000 of dividends before paying any dividend tax, regardless of your personal tax rate.

> **Planning Points:** If you have not yet arranged an ISA or invested up to the 2018/19 maximum, think about doing so. If you are unsure where to invest given current market levels, you can always leave your money on deposit, even in a stocks and shares ISA. Just don't expect it to earn much interest. This tax year's cut in dividend allowance from £5,000 to £2,000 has made stocks and shares ISAs more attractive.

## Drawing your pension

If you are due to start drawing an income from your pension plan, make sure that you take *advice* about your options. When the new rules were first introduced the government launched Pension Wise to help people through the complexities, but this service only offers guidance, not personal advice: you will still have to make the final decisions. The Pension Wise guidance does not attempt to integrate pension choices with your other financial planning, eg estate planning.

If you think how long you might live with the cost of a wrong choice, it is clear that getting independent advice is the route to take.

> **Planning Point:** The changes to the death benefit rules on pensions from 6 April 2015 should have prompted a review of the pension scheme and/or the expressions of wish regarding the recipients of pension death benefits. If you have not done so, now is the time. In theory your pension plan could provide income for future generations, as your beneficiaries will be able to pass the remaining fund to their children and so on down the line.

## PARENTS

### Child benefit

The High Income Child Benefit Tax Charge – the child benefit tax – came into being a little over five years ago. If you or your partner has income of £60,000 or more in the current tax year there will be a tax charge equal to your total child benefit unless you have taken a decision to stop benefit payments.

Between £50,000 and £60,000 of income, the tax charge is 1% of benefit for each £100 of income above £50,000. The result can be high marginal rates of tax in the £50,000-£60,000 income band. If you have three children eligible for child benefit, the marginal rate is 65% starting at £50,000. With the higher rate threshold rising to £50,000 in 2019/20, one surprising consequence is a sharp jump up from 20% (marginal) basic rate tax at £49,999.

> **Planning Point:** As the High Income Child Benefit Tax Charge is based on taxable income, you could reduce the impact of the tax by making a pension contribution.

### Tax-free childcare payment

A new payment for working parents was announced just before the 2013 Budget and, after assorted delays, has been gradually rolled out since 2017 – with a few hiccups. The scheme pays 20% of childcare costs up to £2,000 per child (up to the age of 11), per year. For couples, it is only available if both partners are working and each earning at least the National Minimum Wage or Living Wage for 16 hours a week (£125.28 if you are 25 or over in 2018/19) unless you are self-employed and your business started within the last 12 months. An individual upper income limit of £100,000 also applies.

> **Planning Point:** The old childcare voucher scheme is no longer available to new entrants. If you are one of the 450,000 people who currently benefit from the voucher scheme, you may be better off switching to the tax-free childcare scheme. However, in other cases you may be entitled to vouchers but ineligible for the new scheme.

### Junior ISAs

Junior ISAs (JISAs) were launched in November 2011 with an annual investment limit of £3,600, which has since been increased to £4,260 in 2018/19 (and £4,368 in 2019/20). JISAs can be invested in cash deposits and/or stocks and shares in any proportion and can usually be arranged for any child aged under 18 who was born before 1 September 2002 or after 2 January 2011. A child cannot have both a JISA and a Child Trust Fund account (which has the same investment limits). It is possible to transfer Child Trust Fund accounts to a JISA, a move that may result in reduced fees and a wider investment choice.

### University funding

The £9,250 a year maximum tuition fee for new 2018/19 students in England and Wales is, for now, a fact of student life, funded by loan. All maintenance assistance is now also by way of loans.

If you have children likely to go to university, it makes sense to consider your funding options. For example, JISAs are a potentially valuable tool to build up a fund by age 18. For those who prefer a greater degree of control over the student's access to the investment at age 18 (while retaining tax efficiency) collective investments held subject to an appropriate trust can look attractive, as could an offshore investment bond.

Despite these tax-efficient "pre-funding" opportunities, under the current rules many experts consider that it makes sense to take the student fee loans while at university rather than pay fees from capital. That is because repayment for most recent and new English and Welsh loans only begins once earnings reach £25,000 (£25,725 from 2019/20) and any debt is written off after 30 years from the April after graduation. There is also the possibility of reform and some loan write-offs in the future, regardless of the government's hue.

## MAIN INCOME TAX ALLOWANCES AND RELIEFS

| | 2018/19 | 2019/20 |
|---|---|---|
| | £ | £ |
| Personal allowance – standard | 11,850 | 12,500 |
| Personal allowance reduced if total income exceeds ∞ | 100,000 | 100,000 |
| Transferable tax allowance (marriage allowance)§ | 1,190 | 1,250 |
| Married couple's allowance* – minimum amount | 3,360 | 3,450 |
| – maximum amount | 8,695 | 8,915 |
| Maintenance to former spouse * | 3,360 | 3,450 |
| Married couple's allowance reduced if total income exceeds ¶ | 28,900 | 29,600 |
| Employment termination lump sum limit | 30,000 | 30,000 |

∞ For 2018/19 and 2019/20 the reduction is £1 for every £2 additional income over £100,000. As a result there is no personal allowance if total income exceeds £125,000 (£123,700 for 2018/19).

§ Available to spouses and civil partners born after 5 April 1935, provided neither party pays tax at above basic rate.

* Relief at 10%. Available only if at least one of the couple was born before 6 April 1935.

¶ For 2018/19 and 2019/20 the reduction is £1 for every £2 additional income over the total income threshold. Only the standard allowance is available if total income exceeds:-

| | 2018/19<br>£ | 2019/20<br>£ |
|---|---|---|
| Taxpayer born before 6 April 1935 [married couple's allowance] | 39,570 | 40,530 |

## INCOME TAX RATES (UK EXCLUDING SCOTTISH AND (FOR 2019/20 ONLY)

| | 2018/19<br>£ | 2019/20<br>£ |
|---|---|---|
| Starting rate | 0% | 0% |
| Starting rate on savings income | 1-5,000 | 1-5,000 |
| Personal savings allowance (for savings income) | | |
| - Basic rate taxpayers | 1,000 | 1,000 |
| - Higher rate taxpayers | 500 | 500 |
| - Additional rate taxpayers | Nil | Nil |
| Basic rate | 20% | 20% |
| Maximum tax at basic rate+ | 6,900+¶ | 7,500+¶ |
| Higher rate - 40% | 34,501-150,000+¶ | 37,501-150,000+¶ |
| Tax on first £150,000+ | 53,100+¶ | 52,500+¶ |
| Additional rate on income over £150,000 | 45%¶ | 45%¶ |
| Discretionary and accumulation trusts (except dividends) ° | 45% | 45% |
| Discretionary and accumulation trusts (dividends) ° | 38.1% | 38.1% |
| Tax credit attaching to dividends | N/A | N/A |
| Dividend nil rate band (dividend allowance) | 1-2,000 | 1-2,000 |
| Basic rate on dividends | 7.5% | 7.5% |
| Higher rate on dividends | 32.5% | 32.5% |
| Additional rate on dividends | 38.1% | 38.1% |
| High income child benefit charge | 1% of benefit per £100 income between £50,000 and £60,000 | |

\+ Assumes starting rate band not available and personal savings allowance is ignored.

If full starting rate band is available:

- £6,500 on first £37,500 in 2019/20 **(**£5,900 on first £34,500 in 2018/19); and
- £51,500 in 2019/2020 (£52,100 in 2018/19) on first £150,000.

¶ For Scotland, the 2018/19 tax bands and tax rates, which cover only non-dividend and non-savings income, are:

| | |
|---|---|
| 19% starter rate on income up to | £2,000 |
| 20% basic rate on next slice of income up to | £12,150 |
| 21% intermediate rate on next slice up to | £31,580 |
| 41% higher rate on next slice up to | £150,000 |
| 46% top rate on income over | £150,000 |

The Scottish Budget, setting 2019/20 figures, is not expected until December.

Wales will set its own tax rates, but adhere to the UK bands for 2019/20. The Welsh government has indicated that it will not introduce different rates in 2019/20.

° Up to the first £1,000 of gross income is generally taxed at the standard rate, ie. 20% or 7.5% as appropriate.

## CAR BENEFITS

The charge is based on a percentage of the car's "price". "Price" for this purpose is the list price at the time the car was first registered plus the price of extras.

**For cars first registered after 31 December 1997 the charge, based on the car's "price", is graduated according to the level of the car's approved $CO_2$ emissions.**

*For petrol cars with an approved $CO_2$ emission figure.*

| CO2 G/KM[1] | % OF PRICE SUBJECT TO TAX[2] | | CO2 G/KM | % OF PRICE SUBJECT TO TAX[2] | | CO2 G/KM | % OF PRICE SUBJECT TO TAX[2] | |
|---|---|---|---|---|---|---|---|---|
| | 18-19 | 19-20 | | 18-19 | 19-20 | | 18-19 | 19-20 |
| 50 or less | 13 | 16 | 115-9 | 24 | 27 | 150–4 | 31 | 34 |
| 51–75 | 16 | 19 | 120–4 | 25 | 2 | 155–9 | 32 | 35 |
| 76–94 | 19 | 22 | 125–9 | 26 | 29 | 160–4 | 33 | 36 |
| 95–99 | 20 | 23 | 130-4 | 27 | 30 | 165–9 | 34 | 37 |
| 100–4 | 21 | 24 | 135–9 | 28 | 31 | 170–4 | 35 | 37 |
| 105–9 | 22 | 25 | 140–4 | 29 | 32 | 175–9 | 36 | 37 |
| 110–4 | 23 | 26 | 145–9 | 30 | 33 | 180 and over | 37 | 37 |

**Notes**

1. The exact $CO_2$ emissions figure should be rounded down to the nearest 5 g/km for levels of 95g/km or more.
2. For diesels add 4% unless RDE2 emissions standards are met, subject to maximum charge of 37%.

## CAR FUEL BENEFITS

For cars with an approved $CO_2$ emission figure, the benefit is based on a flat amount of £24,100 (£23,400 for 2018/19). To calculate the amount of the benefit the percentage figure in the above car benefits table (that is from 13% to 37%) is multiplied by £24,100. The percentage figures allow for a diesel fuel surcharge. For example, in 2019/20 a petrol car emitting 118 g/km would give rise to a fuel benefit of 27% of £24,100 = £6,507.

## INHERITANCE TAX

| | CUMULATIVE CHARGEABLE TRANSFERS [GROSS] | | TAX RATE ON DEATH | TAX RATE IN LIFETIME* |
|---|---|---|---|---|
| | 2018/19 £ | 2019/20 £ | % | % |
| Nil rate band+ | 325,000 | 325,000 | 0 | 0 |
| Residence nil rate band¶ | 125,000 | 150,000 | 0 | N/A |
| Residence nil rate band reduced if estate exceedsº | £2,000,000 | £2,000,000 | N/A | N/A |
| Excess above available nil rate band(s) | No limit | No limit | 40∞ | 20 |

* Chargeable lifetime transfers only.

+ On the death of a surviving spouse on or after 9 October 2007, their personal representatives may claim up to 100% of any unused proportion of the nil rate band of the first spouse to die (regardless of their date of death).

¶ On the death of a surviving spouse on or after 6 April 2017, their personal representatives may claim up to 100% of any residence nil rate band of the first spouse to die (regardless of their date of death, but subject to the tapered reduction).

º For all tax years the reduction is £1 for every £2 additional estate over £2,000,000. As a result, there is no residence nil rate band available in 2019/20 if the total estate exceeds £2,300,000 (£2,600,000 on second death if the full band is inherited).

∞ 36% where at least 10% of net estate before deducting the charitable legacy is left to charity.

## CAPITAL GAINS TAX

### Main exemptions and reliefs

| | 2018/19 £ | 2019/20 £ |
|---|---|---|
| Annual exemption | 11,700* | 12,000* |
| Principal private residence exemption | No limit | No limit |
| Chattels exemption | £6,000 | £6,000 |
| Entrepreneurs' relief | Lifetime cumulative limit £10,000,000. Gains taxed at 10% | Lifetime cumulative limit £10,000,000. Gains taxed at 10% |

* Reduced by at least 50% for most trusts.

*Rates of tax*

**Individuals:** 10% on gains within UK basic rate band, 20% for gains in UK higher and additional rate bands

**Trustees and personal representatives:** 20%

**Additional rate for residential property and carried interest gains:** 8%

## STAMP DUTY LAND TAX, LAND AND BUILDINGS TRANSACTION TAX, LAND TRANSACTION TAX AND STAMP DUTY

### England and Northern Ireland: SDLT

| RESIDENTIAL (ON SLICE OF VALUE) | RATE¶ | COMMERCIAL (ON SLICE OF VALUE) | RATE |
|---|---|---|---|
| £125,000 or less | Nil | £150,000 or less | Nil |
| £125,001 to £250,000° | 2% | £150,001 to £250,000 | 2% |
| £250,001 to £925,000*° | 5% | Over £250,000 | 5% |
| £925,001 to £1,500,000* | 10% | | |
| Over £1,500,000* | 12% | | |

** 15% for purchases over £500,000 by certain non-natural persons*

°First-*time buyers: First £300,000 slice of value at 0% if property consideration is not more than £500,000*

¶ *All rates increased by 3% for purchase of additional residential property if value is £40,000 or more*

### Scotland: LBTT

| RESIDENTIAL (ON SLICE OF VALUE) | RATE¶ | COMMERCIAL (ON SLICE OF VALUE) | RATE |
|---|---|---|---|
| £145,000* or less | Nil | £150,000 or less | Nil |
| £145,001* to £250,000 | 2% | £150,001 to £350,000 | 3% |
| £250,001 to £325,000 | 5% | Over £350, 000 | 4.5% |
| £325,001 to £750,000 | 10% | | |
| Over £750,000 | 12% | | |

¶ *All rates increased by 3% for purchase of additional residential property if value is £40,000 or more*

**£175,000 for first-time buyers*

## Wales: LTT

| RESIDENTIAL (ON SLICE OF VALUE) | RATE¶ | COMMERCIAL (ON SLICE OF VALUE) | RATE |
|---|---|---|---|
| £180,000 or less | Nil | £150,000 or less | Nil |
| £180,001 to £250,000 | 3.5% | £150,001 to £250,000 | 1% |
| £250,001 to £400,000 | 5% | £250,001 to £1,000,000 | 5% |
| £400,001 - £750,000 | 7.5% | Over £1,000, 000 | 6% |
| £750,001 to £1,500,000 | 10% | | |
| Over £1,500,000 | 12% | | |
| ¶ *All rates increased by 3% for purchase of additional residential property if value is £40,000 or more* | | | |

## UK Stamp Duty (including SDRT)

| | |
|---|---|
| Stocks and marketable securities: | 0.5% |
| No stamp duty charge unless the duty exceeds £5 | |

## CORPORATION TAX

| | YEAR ENDING 31 MARCH | |
|---|---|---|
| | 2019 | 2020 |
| Main rate | 19% | 19% |

## TAX-PRIVILEGED INVESTMENTS [MAXIMUM INVESTMENT]

| | 2018/19 £ | 2019/20 £ |
|---|---|---|
| **ISA** | | |
| Overall per tax year: | 20,000 | 20,000 |
| Maximum in cash for 16 and 17 year olds | 20,000 | 20,000 |
| Junior ISA (additional to overall limit for 16-17 year olds) | 4,260 | 4,368 |
| Help to buy ISA° | £1,000 initial and £200 a month | |
| Lifetime ISA | 4,000 | 4,000 |
| **ENTERPRISE INVESTMENT SCHEME** (30% income tax relief) | 2,000,000* | 2,000,000* |
| Maximum carry back to previous tax year for income tax relief | 1,000,000 | 2,000,000 |
| **SEED ENTERPRISE INVESTMENT SCHEME** (50% income tax relief) | 100,000¶ | 100,000¶ |
| **VENTURE CAPITAL TRUST** (30% income tax relief) | 200,000 | 200,000 |

° Closed to new investors from 1 December 2019. Existing investors may continue to contribute.

* Income tax-relieved investment above £1m must be inn knowledge-intensive companies. No limit for CGT reinvestment relief.

¶ 50% CGT reinvestment exemption in 2018/19 and 2019/20

## PENSIONS

| | 2018/19 | 2019/20 |
|---|---|---|
| Lifetime allowance* | £1,030,000 | £1,055,000 |
| Lifetime allowance charge: | | |
| Excess drawn as cash | 55% of excess | |
| Excess drawn as income | 25% of excess | |
| Annual allowance | £40,000¶ | £40,000¶ |
| Money purchase annual allowance | £4,000 | £4,000 |
| Annual allowance charge | 20%-45% of excess | |
| Max. relievable personal contribution | 100% relevant UK earnings *or* £3,600 gross if greater | |

* May be increased under 2006, 2012, 2014 or 2016 transitional protection provisions.

¶ Subject to 50% taper down to a minimum of £10,000 based on adjusted net income in excess of £150,000, if threshold income exceeds £110,000

## NATIONAL INSURANCE CONTRIBUTIONS

| CLASS 1 EMPLOYEE | | | | |
|---|---|---|---|---|
| | 2018/19 | | 2019/20 | |
| | EMPLOYEE | EMPLOYER | EMPLOYEE | EMPLOYER |
| Main NIC rate | 12% | 13.8% | 12% | 13.8% |
| No NICs on first: | | | | |
| Under 21* | £162 pw | £892 pw | £166 pw | £962 pw |
| 21* & over | £ 162 pw | £162 pw | £ 166 pw | £166 pw |
| Main NIC charged up to | £892 pw | No limit | £962 pw | No limit |
| Additional NIC rate | 2% | N/A | 2% | N/A |
| on earnings over | £892 pw | | £962 pw | |
| Certain married women | 5.85% | 13.8% | 5.85% | 13.8% |

* 25 for apprentices

| EMPLOYMENT ALLOWANCE | | |
|---|---|---|
| | 2018/19 | 2019/20 |
| Per business* | £3,000 | £3,000 |

* Not available if a director is the sole employee

| LIMITS AND THRESHOLDS | 2018/19 | | 2019/20 | |
|---|---|---|---|---|
| | WEEKLY £ | YEARLY £ | WEEKLY £ | YEARLY £ |
| Lower earnings limit | 116 | 6,032 | 118 | 6,136 |
| Primary earnings threshold | 162 | 8,424 | 166 | 8,632 |
| Secondary earnings threshold | 162 | 8,424 | 166 | 8,632 |
| Upper secondary threshold – U21s* | 892 | 46,350 | 962 | 50,000 |
| Upper earnings limit | 892 | 46,350 | 962 | 50,000 |

* Under 25 for apprentices

| SELF-EMPLOYED AND NON-EMPLOYED | 2018/19 | 2019/20 |
|---|---|---|
| **CLASS 2** | | |
| Flat rate | £2.95 pw | £3.00 pw |
| Small profits threshold | £6,205 pa | £6,365pa |
| **CLASS 4 (UNLESS OVER STATE PENSION AGE ON 6 APRIL)** | | |
| On profits | £8,424 – £46,350 pa: 9%<br>Over £46,350 pa: 2% | £8,632 – £ 50,000 pa: 9%<br>Over £ 50,000 pa: 2% |
| **CLASS 3 (VOLUNTARY)** | | |
| Flat rate | £14.65 pw | £15.00 pw |