PENSIONERS GUIDE TO

INCOME TAX

New Tax Year 2017/18

SA Tax Return 2016/17

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Introduction

Last year's guide again was well received and again a popular download from the website.

Throughout this publication the terms:
HMRC means HM Revenue & Customs.
Current tax year= 2016/17 (6/4/2016–5/4/2017). New tax year = 2017/18(6/4/2017–5/4/2018)

This year we will have at least 2 Budgets March and the first combined November Budget with the Autumn statement with a possible third Budget after the election.. This year's March Budget is the slimmest we can remember. However the Finance Bill 2017 (FB) is the largest ever, consisting of 762 pages and 313,031 words. If you add the notes to the FB it totals 1,210 pages. A lot of the changes for 2017/18 were announced by the previous chancellor in prior budgets. Some announced changes come in future tax years up to 2020 and at least 1 U turn since budget day. Most are included in the Treasury Budget day "red book" and the HMRC Budget day document. Due to the general election the Finance Bill was cut from 762 to 148 pages and the slim line Finance Bill received Royal Assent on 27 April 2017. It is likely a further Finance Act and possible extra Budget will be introduced after the Election.

All this makes it increasing difficult to collate the actual changes for the new tax year. Tax is becoming more complex and ballooned in recent years despite Government and HMRC saying it is being simplified. Further for non-savings, Dividends & Stamp duty Scotland may set different rates, bands and allowances. Accountancy body Icas state: Tolleys 2015/16 yellow and orange books with the tax legislation was 21,602 pages long and contains over ten million words!

Most information, forms and interactive forms are published online. Most forms can be completed electronically and either printed out and sent in by post or submitted directly online. Where possible I have added website links to the appropriate document or form. Making Tax Digital will increase the use of electronic returns and information (see section 7) Individuals and businesses will use the new personal tax accounts and provide quarterly returns. Pilot scheme - 6 April 2017.

All Government Departments information is now on www.gov.uk – see links in Section 14:
If you cannot see the information you require, click "government departments" and this provides links to all departments. The search engine covers all depts. On GOV.UK website the search engine is poor and I find it easier and more accurate to use Google, Duckduckgo, Bing or Yahoo to find information.

The new compulsory cash basis for landlords with turnover under £150,000 was not included in the above Finance Bill.

Your liability to income tax is based on your taxable income. Taxable income is the total income that is assessable to tax less the allowances and reliefs to which you are entitled. Not all income is assessable, however, and there are variations in the allowances.

Benefits use the Consumer prices index (CPI) rather than Retail Prices Index (RPI) in the twelve months to the previous September. For 2017/18 pensions were increased by 2.5%,

This is the first year with an increase in basic rate band since 2010/11(43,875). From 6 April 2017 you start to pay higher rate tax on total income over £45,000 (43,000).

The following notes and examples are based on the March Budget proposals and the subsequent first Finance Act for the above year.

1. TAXABLE INCOME

Income from employment

Includes income from full, part-time and temporary employment.
If you get perks or benefits from your employer or former employer these may also be taxable.
Taxable company benefits
Income from self employment/partnerships
Profits you make from working for yourself as a sole trader or partner.

Pension income

State Pension. Including graduated
Note: State Pensioners Christmas bonus and winter fuel payment are not taxable
Personal or company pensions.
Retirement annuity.

Interest on savings

Bank and building society interest - not including ISA's
National Savings and Investment accounts and bonds.
Investment income
Dividends on company shares - not including dividend income from ISAs.
Insurance company and capital bonds – chargeable events

State benefits

The most common taxable state benefits are:
(www.hmrc.gov.uk/manuals/eimanual/EIM76101.htm)

- Bereavement Allowance (see EIM76173), replaced Widow's Pension from 9 April 2001
- Certain payments of Incapacity Benefit, see EIM76180
- Contributions based Employment and Support Allowance, see EIM76186
- Certain payments of Income Support, see EIM76190
- Pensions payable under the Industrial Death Benefit scheme, see EIM76200
- Carer's Allowance (formerly Invalid Care Allowance before 1 April 2003), see EIM76210
- Jobseeker's Allowance, see EIM76220
- the State pension, see EIM76160
- Graduated retirement benefit, see EIM74602
- Statutory Sick Pay, see EIM76350
- Statutory Maternity Pay, see EIM76360
- Statutory Paternity Pay, see EIM76370
- Statutory Adoption Pay, see EIM76380
- Widowed Parent's Allowance (see EIM76172), replaced Widowed Mother's Allowance from 9 April 2001, although WMA is still paid to widows whose entitlement arose before 9 April 2001(see EIM76177)
- Widow's pension paid to widows whose entitlement arose before 9 April 2001, see EIM76178

Rental income

From a lodger in your only or family home if more than £7,500 a year (£3,750 if split jointly).
From a second property.

Other taxable income

Pensioner bonds.
Trust income.
Insurance bonds – chargeable events

2. INCOME NOT TAXABLE

The most common non-taxable state benefits are:
(www.hmrc.gov.uk/manuals/eimanual/EIM76100.htm)

- Attendance Allowance
- Back to Work Bonus (see EIM76223)
- Bereavement Payment (see EIM76171), replaced Widow's Payment from 9 April 2001
- Child Benefit (pymt withdrawn for higher rate)
- Child's Special Allowance
- Child Tax Credit
- Cold Weather Payments, see also Winter Fuel payment
- Council Tax Benefit, administered by local authorities
- Constant Attendance Allowance, see industrial disablement benefit below
- Disability Living Allowance
- Income related Employment and Support Allowance (see EIM76186)
- Exceptionally Severe Disablement Allowance, see industrial disablement benefit below
- Guardian's Allowance
- Housing Benefit, administered by local authorities
- Incapacity Benefit for first 28 weeks of entitlement, taxable thereafter (see EIM76180)
- Income Support, certain payments (see EIM76190)
- Industrial Injuries Benefit, a general term covering industrial injuries pension, reduced earnings allowance, retirement allowance, constant attendance allowance and exceptionally severe disablement allowance
- Invalidity Benefit, replaced by Incapacity benefit from April 1995 but still payable where invalidity commenced before April 1995.
- In-work credit
- In-work emergency discretion fund payment
- In-work emergency fund payment
- Maternity Allowance, see EIM76361
- Payments out of the Social Fund to people on a low income to help with maternity expenses, funeral costs, financial crises and as community care grants. The fund also makes interest-free loans.
- Pensioner's Christmas Bonus
- State Pension credit
- Reduced Earnings Allowance, see industrial disablement benefit above
- Retirement Allowance, see industrial disablement benefit above
- Return to work credit, including the self-employment credit
- Severe Disablement Allowance
- War Widow's pension, see EIM76103
- Winter Fuel payment
- Working Tax Credit.

- Rents- First £7,500 a year from a lodger in your only or family home - £3,750 if split jointly.
- Interest on savings – All ISAs, and National Savings Certificates.
- Premium Bonds – wins are free from UK Income Tax and Capital Gains Tax.
- Tax free interest and dividend allowance, see Appx1 for amounts

3. PARTNERS

3.1 General

A married and a civil partnership are treated as separate individuals for tax purposes. Each person is responsible for their own tax affairs, taxed on their own income, have their own basic rate tax band, pay their own tax, receive their own repayments of tax and have their own Capital Gains Tax exemption. Couples registered within the civil partnership scheme will be treated the same as married couples for tax purposes.

3.2 Personal Allowance

Each person has a personal allowance. In addition a married couple or Civil Partnership (after 5/12/2005) where one was born before 6 April 1935 the person with the higher income can claim a married couple's allowance. See 4.2 for calculation.

Marriage Allowance, the a spouse or civil partner whose income is below the personal allowance will be allowed to transfer up to £1,150 (£1100) of their personal allowance to their spouse/civil partner, provided that the recipient of the transfer is not liable to income tax above the basic rate.

3.3 Joint Income

Where a couple hold in joint names, a bank or building society account, shares, property that is rented out, or any other property that provides income you will be treated as if you owned it in equal shares and will each pay tax on half of the income.

3.4 Bereavement

If a spouse or civil partner dies, divorce/dissolution or separates you get any allowance for the full year.

3.5 Capital Gains Tax

You are taxed independently on any gains and are each entitled to a separate exempt amount. See appendix 1 for amount. However you cannot set any of your losses against the gains of your spouse or partner.

Transfers between spouses or civil partners are exempt from capital gains tax provided you are living together in the relevant tax year. The cost of the asset transferred remains the same as that of the original acquiring spouse or partner.

3.6 Inheritance Tax

Transfers between spouses and civil partners are normally exempt. However where spouses/ civil partners have different domiciles there is a limit of £325,000 to the exemption. The exempt limits are shown in appendix 1.
A claim can be made to transfer any unused nil-rate band of the first deceased spouse or civil partner to the estate of their surviving spouse or civil partner.

3.7 ISA Transfer

If a spouse dies after 2 Dec 2014, the inheriting spouse can claim an additional ISA allowance (from 6 April 2015) equal to the value of the deceased ISA with the ISA manager with whom the deceased ISA was held. Inheritance Tax rules still apply.

4. ALLOWANCES

4.1 Personal Allowances

All taxpayers resident in the UK will automatically receive the Personal allowance. If your income exceeds £100,000 then for every £2 your personal allowance is reduced by £1.

Non-residents who are nationals of states within the European Economic Area; (EEA): the EEA comprises the EU member states and Iceland, Liechtenstein and Norway may claim personal reliefs. Non-residents who are Commonwealth citizens are no longer entitled to personal allowance.

4.2 Higher Personal Allowance Relief

From 2016/17 the age allowance ceased and all persons will receive the basic personal allowance

For persons who receive the married couples allowance(born before 6/4/1935) the allowance is reduced where your total assessable income exceeds the income limit (see appendix 1). The allowance is reduced by £1 for every £2 of income in excess of the limit. The basic personal allowance amount is only reduced where your income exceeds £100,000.

4.3 Interaction of Personal allowance and Higher rate band

Increasing the personal allowance has reduced the tax payable by basic rate taxpayer and taken a number of low paid out of tax altogether. For higher rate taxpayers the net effect of increasing the personal allowance and increasing starting point for higher rate tax means you are better off for the first time since 2010/11

4.4 Trading and Property Income Allowance

The two new income tax allowances of £1,000 each for property and trading income due to come in 6 April 2017 were not included in the Finance Act 2017 and therefore do not apply.

5. RELIEF FOR INTEREST PAID

Generally income tax relief on interest payments is not available to individuals.

Interest payments on lettings income will be restricted to basic rate being phased in from 6 April 2017 to 5 April 2020. The relief will be given after Personal allowances have been calculated.

6. SELF ASSESSMENT

6.1 General

All taxpayers who have filed a Self Assessment Tax Return have a unique taxpayer reference (UTR) which consists of 10 digits. e.g 12345 67890. This must be shown on your tax return.

Where you have a new source of income and do not receive a tax return you must notify HMRC within six months of the tax year end (5 October). You register at:
https://online.hmrc.gov.uk/shortforms/form/SA1
Further information available at www.gov.uk/register-for-self-assessment

If you become self employed you need to register at
www.gov.uk/register-for-self-assessment/self-employed .

Where the previous tax return has been filed electronically you will receive a "Notice to complete a Tax Return" (SA316) instead of a tax return. You will normally receive a tax return or notice to complete a tax return where you have filed a tax return the previous year unless you have received a letter stating HMRC do not propose to send you a tax return in the future.

If you or your spouse/civil partner receive child benefit and either are a higher rate taxpayer you will have to complete a SA Tax Return.

Further information and forms can be found at:
www.gov.uk/self-assessment-forms-and-helpsheets

6.2 The Self Assessment Tax Return

There are now two main tax returns:

SA200 Short tax return. SA210 notes

This is basically a simplified tax return for people with straight forward tax affairs. Note it cannot be used where you have a chargeable event, for example a life assurance company bond. If you need the additional pages you should complete the full tax return SA100. You can only use this return when advised by HMRC and it cannot be downloaded.

SA100 Tax return SA150 notes

R40 Repayment claim form 4 pages

Where a tax return is not issued and you wish to reclaim tax overpaid on savings and investments. Download from www.gov.uk/government/publications/income-tax-claim-for-repayment-of-tax-deducted-from-savings-and-investments-r40

The personal allowance is given automatically, but to ensure that you receive any age-related allowance the box containing your date of birth needs to be completed if you were born before 6 April 1935 (see 4.2 above). In addition to any State pension that they may receive, pensioners should ensure all pensions are included on page TR3 of the main tax return.

The total for each type of investment income is now entered on the form.

Supplementary returns have to be completed for other sources of income, such as employment, share schemes, self employment, partnerships, property, foreign, trusts, capital gains, and non residence.

Help sheets are available for each part of the tax return from HMRC and further information on self assessment can be found at:www.gov.uk/self-assessment-forms-and-helpsheets

6.3 Self Assessment tax return (Form SA100) layout

The main return consists of 8 pages together with any necessary supplementary sheets as follows:

(If YES to any questions 1-9 separate pages required as shown)

	SA100	Main tax return	
		Your and tax office details plus Introduction	
TR1	1,3,4	Your personal details	
TR1	2	X if name or address wrong on page 1 of form put info TR6 item 19	
TR2	Q1	Employment	YES E1 page
TR2	Q2	Self employment	YES short SES1-2 or full SEF1-6
TR2	Q3	Partnership	YES short SP1-2 full FP1-4
TR2	Q4	Land & property	YES UKP1-2

TR2	Q5	Foreign	YES F1-F6
TR2	Q6	Trusts etc.	YES T1-T2
TR2	Q7	Capital gains summary	YES CG1-2 plus individual computations
TR2	Q8	Residence, remittance basis etc.	YES RR1-4
TR2	Q9	Supplementary pages	YES Ai1-Ai4 pages
TR3		Income	
	1-7	Interest and dividends	
	8-16	UK pensions, annuities and other state benefits received	
	17-21	Other UK income not included in supplementary pages	
TR4		Reliefs	
	1-4	Pension contributions made	
	5-12	Charitable Giving -Gift Aid	
TR4		Allowances	
	13-16	Blind Persons Allowance	
TR5	1-3	Student loan repayments	
	1-3	High Income Child Benefit Charge	
	1-5	Marriage Allowance (transfer unused personal allowance)	
TR6	1	refunds already received and set offs	
	2-3	Tax under payment to be collected via PAYE. Read boxes carefully	
	4-14	Bank details for tax repayment if due	
TR7	15-18	Details of your tax adviser/ agent	
	19	Any other information	
TR8	20	**X** if any provisional information or estimates used	
	21	**X** additional pages enclosed	
	22	Declaration to be signed and dated by taxpayer	
	23-26	If signing on taxpayers behalf	
	SA101	Additional information 4 pages 28 pages notes	
TC1-TC2	SA110 1-17	Tax calculation summary 2 pages 44 pages notes	
		If you answered YES to Q9 -page 2	
		Other UK Income	
Ai1	1-3	Interest from gilts and other UK securities, deep discounted securities and accrued income scheme	
	4-11	Life insurance gains (including capital bonds)	
	12-13	Stock dividends, non-qualifying distributions and loans written off	
	14-15	Business receipts taxed in an earlier year	
Ai2	1-15	Share schemes, redundancy, employment lump sums, post employment income, compensation and deductions	
	1-11	Other tax reliefs	
Ai2	1-10	Various reliefs	
Ai3	1-11	Age-related Married Couples Allowance (born prior 6/4/1935)	
Ai3		Other information	
Ai3	1-6	Income tax losses and Limit on Income Tax relief	
Ai4	7-18	Pension saving tax charges and taxable lump sums from overseas pension schemes	
	19-20	Tax avoidance schemes	
	21	Additional information	
	22-23	Personal details – name and UTR	

6.4 Return submission and payment

Tax returns can be submitted (see timetable 6.5 below):

- On paper or
- electronically
- Using HMRC on line software but allow time for registration
- Online using own software e.g. TaxCalc

1. Online via an agent or filing agent

In the year you retire from your employer you will need Q1 Employment supplementary pages in addition to the main SA 100 return form. If you wish HMRC to calculate your tax liability then ensure they receive it by 31 October. Otherwise in addition the tax calculation forms need to be completed for returns submitted to HMRC after this date. It should be submitted with any further tax payment, which is due. Late submissions will be liable to an automatic penalties and interest will also be charged on late payment of the tax due. Further daily penalties chargeable for returns at 3, 6 and 12 months overdue

Payments on account for the New Year will not be required where the income tax and class 4 NIC liability for the preceding year:

- net of tax deducted at source and tax credits is less than £1,000 **OR**
- more than 80% of the tax due was collected at source.

Thus unless you have further sources of untaxed income you are unlikely to need to make any payments on account. Two half payments on account are due 31 January and 31 July, with any balance due on the following 31 January. Any pension in your code number will be classed as taxed income.

Where a Return is submitted by the date below and HMRC calculates the tax then any additional tax becoming due will be shown on a statement of account that will be sent to you and the date when it becomes payable. This should be in good time to make payment without interest penalties.

HMRC issue statements of account on various events including when you make a paper return. Your final tax calculation will be available to view online after 72 hours if you file online. Where tax is due a payslip will be included as part of that statement. Thus where tax is due by the 31 January you should receive a statement in mid-December, but last year HMRC did not send statements to all taxpayers. If you do not receive a payslip you still need to ensure HMRC receive the payment by 31 January. See 6.7 below

If the under payment is less than £3,000 and the return is received by the Revenue by date below then this can be coded in for the new tax year

6.5 Timetable for Self Assessment.

Income received and allowances in year ending	**5 April 2017**
Self assessment tax returns (paper) file by	**31 October 2017**
Return for Revenue calculation by	**31 October 2017**
Self assessment tax returns (electronic) by	**31 January 2018**
To code in underpayment file by	**30 December 2017**
New income source- advise IR by	**5 October 2017**
First interim payment Income Tax	**30 January 2017**
Second interim payment Income Tax	**31 July 2017**
Any balance of Income Tax plus Capital Gains Tax	**31 January 2018**

6.6 Records

It is a statutory requirement for all taxpayers to keep records. These must be kept for a minimum 22 months after end of the tax year -[5 years for self employed].
Thus for 2016/17 records need to be kept by employees until 31 January 2019. Some records need to be kept longer e.g. Capital gains, property and self employed
There is penalty for failure to maintain adequate records.
Records to be kept include information from:

- Your employer and pension provider on pay (P60), benefits (P11D), share options (certificates) and pensions(P60).
- Coding notice from HMRC (P2)
- The DWP letter about your state pension (Normally issue in Feb for new year starting April).
- Banks and building societies (S.975 cert) about interest credited to your accounts
- Companies about dividends you receive
- Companies about shares and stock dividends. - to be retained until final disposal

6.7 Self Assessment payment

You can only pay at a bank/ building society if you have a paper statement with its paying in slip. You can not pay your bill over the phone to HMRC
Cheques to: HM Revenue & Customs, Direct, BX5 5BD with payslip. If missing payslip goto : http://www.hmrc.gov.uk/payinghmrc/payslip-sa1.htm and print one.
How to pay your tax bill: https://www.gov.uk/pay-self-assessment-tax-bill
HMRC Bank details: https://www.gov.uk/pay-self-assessment-tax-bill/bank-details
Bank details for online or telephone banking, CHAPS, Bacs

Your bill will tell you which account to pay in to. If you don't have a bill, or you're not sure, use HMRC Cumbernauld.

Account details to use

Sort code	Account number	Account name
08 32 10	12001039	HMRC Cumbernauld
08 32 10	12001020	HMRC Shipley

Pay by debit card or credit card on line
https://www.tax.service.gov.uk/pay-online/self-assessment
Pay by credit card on line -1.4% charge

If you do not have a payslip and are paying online your reference is your 10 digit UTR (tax reference) plus the letter "K". For example 1234567890K

6.8 Enquiries into tax returns

HMRC has stated that they will be making enquiries into some returns at random (Random Audit) and this will commence within 12 months of receipt of the return. Should this happen they will advise you in writing of their intention, although you will not be told whether you have been selected at random. In this instance you should ensure that you have adequate records to substantiate the detail on your Tax Return such as the P60, dividend and interest certificates and contract notes for investment purchases and sales.

Further information is contained on the HMRC website.

7. MAKING TAX DIGITAL (MTD)

The Government announced changes to the tax system in the March 2015 Budget with tax returns being phased out by 2020
The four foundations of the new system are better use of information, tax in real time, a single financial account and interacting digitally with customers. Note the change of name from taxpayer to customer!

7.1 Personal tax accounts

Everybody will have access to their own personalised digital tax account which will bring together individual customers information in one place.
To sign in, create a new account or request a new ID or password goto: www.gov.uk/personal-tax-account

7.2 What you can do

You can use your personal tax account to:

- check your Income Tax estimate and tax code
- fill in, send and view a personal tax return
- claim a tax refund
- check and manage your tax credits
- check your State Pension
- track tax forms that you've submitted online
- check or update your Marriage Allowance
- tell HMRC about a change of address
- check or update benefits you get from work

More services will be added in the future May 2017).

7.3 MTD for Individuals

Currently HMRC receive information from various sources held in separate standalone systems. HMRC is joining up its internal systems to include information held in one place. This will include information provided by banks, building societies, PAYE, pension providers and other sources. Thus in time some information you report on a tax return will already be shown in your account and the balance reported quarterly by yourself.

7.4 Current position

The self-employed and those with property income will have to make quarterly returns plus a final return to HMRC. Originally this was those over the VAT threshold from April 2018 and those under the VAT threshold from April 2019.

Digital reporting and record keeping (MTD) for income tax and VAT did not make it in the Finance Act 2017 so does not apply at present but is likely to be included in the next Finance Act

8. SAVINGS

8.1 Bank and Building Society Interest Received - General

From 6 April 2016, interest is paid gross without deduction of tax and a new personal savings allowance £1,000 basic rate and £500 higher rate taxpayer is available. It is not available for additional rate taxpayers. The rate of income tax on savings is 20% unless you are a higher rate taxpayer where the rate remains at 40%. For additional rate taxpayers the rate is 45%. In addition for basic rate taxpayers 0% starting tax rate may apply to the first 5,000 of interest received. If an individual's taxable non-savings income (i.e. after deduction of their personal allowance) exceeds the starting rate limit, then the 0 per cent starting rate for savings will not be available for savings income.

Example 1: Pension 10,000 Interest 4,000 total taxable income£14,000
PA £11,500 interest starting rate band £5,000 = £16,500 therefore tax on interest nil

8.2 Bank and Building Society Interest Received - Tax Repayment

As interest is paid gross from 6 April 2016 the form R85 to receive their interest gross; has been discontinued.

8.3 Foreign Income

If you have foreign income of more than £300 for example interest and/or dividends then you need to notify chargeability on form SA1 and complete a tax return. Foreign Dividends up to £300 can be entered on SA100 (TR3 Items 5&6).
The most common foreign dividend is Santander (Ex Abbey National)

8.5 Individual Savings Account (ISA)

Individuals, who are both resident and ordinarily resident in the UK for tax purposes and are aged 18 or over can subscribe to an ISA. Investments in ISA's will be completely tax free (including income tax and capital gains tax). There is no lock-in and no minimum subscription to the ISA. You can split the amount you pay into an ISA between a Cash ISA and a Stocks and Shares ISA as you choose - up to the overall annual ISA limit of £20,000 (£15,240).

If you transfer an ISA to another provider **by withdrawing the money** this counts towards your ISA limit in the current year. To protect your ISA limit the transfer must be carried out by the old and new providers. On some ISA accounts you can withdraw and replace money in your cash ISA in the same year without counting towards your ISA limit for the year.

For under 18's there are Junior Cash ISA's or the Child Trust Fund (CTF) both with a lower limit. £4,080 (4,128).

8.6 Dividends

As with Building Society Interest, the gross amount has to be included when measuring total income. Dividends are paid gross and a tax free Dividend Allowance £5,000.
Excess rates: basic rate 7.5% - higher rate - 32.5% and additional rate at 38.1%.

8.7 Personal pension

The lifetime allowance for pension contributions for 2017/18 is £1m and. the annual allowance for pension contributions is £40,000 (£10,000 2018/19). £10,000 if already drawing a pension (£4,000 2018/19)
If you have a defined benefit (DB) (final salary) scheme you calculate lifetime allowance as 20 times first year pension plus any lump sum. If you have mixed defined benefit and defined contribution(DC) (pension pot): lifetime allowance = DC value plus DB calculated above.
All personal pensions are paid with tax deductions made under PAYE.
Drawing on pension and reminder Income Tax is payable on the amount withdrawn and some basic rate taxpayers will have to pay higher rate tax.
:

- Increase minimum pension age so that it remains ten years below state pension age.
- can still take 25% as tax free lump sum
- Choice to withdraw remainder (excludes final salary schemes), which is taxed.
  - Take it as cash
  - Buy an annuity –income is taxed
  - Leave fund invested in stock market and make unlimited withdrawals as required.

HMRC system problem with lump sums withdrawn, they treat them as paid monthly. So if you withdraw an amount quarterly HMRC will multiply amount by 12 and over tax it. In the example below if drawn quarterly (4x£7,500) they would treat you as receiving £90,000 (12x£7,500) plus £30,000=£120,000 so they will withdraw £10,000 of your personal allowance with further higher rate tax payable.

Example			
The amount withdrawn from the pension fund		Tax%	**30,000**
Tax on pension withdrawal		30.0%	(9,000)
Net from pension fund			**21,000**
		No withdrawal	With withdrawal
Taxable income -pension and savings		30,000	30,000
Pension withdrawn		0	30,000
Taxable income		30,000	60,000
Less Personal allowance		(11,500)	(11,500)
Total taxable income		18,500	48,500
Taxable at Basic rate		(18,500)	(33,500)
Taxable at Higher rate		0	15,000
Basic rate tax	20%	3,700	6,700
Higher rate tax	40%		6,000
Total tax		3,700	12,700

Those with defined contribution pension savings will be allowed to draw down from age 55 (10 years before state pension age), subject to their marginal rate of income tax under PAYE and their pension scheme rules. Where monies are withdrawn including drawdown, the Money Purchase Annual Allowance (MPAA) is reduced from £40,000 to £10,000.

The proposal to allow people who are already receiving income from an annuity to sell that income to a third party as and when they choose was put back a year to 6 April 2017. This is likely to produce a second hand market similar to the existing one for life policies.

8.8 Investment and Income Bonds Issued by Insurance Companies

If you hold any of these bonds please read carefully the notice that the company will send you on repayment of your bond.
If you withdraw more than 5% in a tax year then you should receive a chargeable event certificate. You are liable to income tax at your highest rate on the amount of the chargeable event.
Personal Portfolio Bonds (PPB) are subject to an annual charge based on the deemed return from the bond.

9. OTHER POINTS

9.1 Pension Credit

There are two different types of Pension Credit. Guarantee Credit is for those who have reached the minimum qualifying age. Savings Credit is for those aged 65 or over who reach state pension age prior to 6 April 2016. From 6 April 2016 no new Assessed Income Periods (AIP) will be set. AIP's will end early on a sliding scale by 1 April 2019. See the pension credit fact sheet for more details https://www.gov.uk/government/publications/pension-credit

Guarantee Credit

If you are living in Great Britain and have reached the minimum qualifying age, you may be entitled to the Guarantee Credit. This guarantees a minimum income by topping up your weekly income to the amount shown in Appx1.

These amounts may be more if you are disabled, have caring responsibilities or certain housing costs, such as mortgage interest payments.
The age from which you can get the Guarantee Credit – the qualifying age – is gradually increasing from 60 to 65 between April 2010 and 2020. To find out the age when you can apply for Pension Credit, you can use the State Pension age calculator at: https://www.gov.uk/calculate-state-pension At April 2016 = born on before 5 April 1953.
While you must have reached the qualifying age, you can still claim if your partner is under the qualifying age. If you or your partner are both over the qualifying age either one of you can apply.
'Partner' is used to refer to: your husband, your wife, your civil partner, the person you live with as if they were your husband, wife or civil partner

Age 65 or over - Savings Credit
If you are aged 65 or over and living in Great Britain you may be entitled to Savings Credit. You may get the Savings Credit on its own or with the Guarantee Credit. You may be entitled to Savings Credit if you:

- are aged 65 or over
- have made some provision towards your retirement such as savings or a second pension

If you have a partner, at least one of you must be 65 or over to get the Savings Credit.
Savings Credit will close for people reaching State Pension age on or after 6 April 2016
The Savings Credit maximum has been reduced see Appx1.

These amounts may be more if you are disabled, have caring responsibilities or certain housing costs, such as mortgage interest payments.
Get a Pension Credit estimate
Use the Pension Credit calculator to get a Pension Credit estimate.
https://www.gov.uk/pension-credit-calculator
This online calculator is quick and easy to use and will tell you how much Pension Credit you might get. Find out more about the Pension Credit estimate on the following page:

Apply for Pension Credit by telephone
You can call The Pension Service on 0800 99 1234 or textphone 0800 169 0133. Lines are open 8.00 am to 6.00 pm Monday to Friday.
When you phone, you need the following information:

- your National Insurance number
- information about your savings, investments and income
- details of the account into which any Pension Credit payments to be paid

An adviser will help you apply for Pension Credit and let you know what happens next.

The above and further information together with online pension age and pension credit calculators can be found at: www.gov.uk/pension-credit
Age UK fact sheet 48 (42 pages) issued April 2017 gives full information.
http://www.ageconcern.org.uk/Documents/EN-GB/Factsheets/FS48_Pension_Credit_fcs.pdf?dtrk=true

9.2 Charitable Giving – Gift Aid

Gift Aid is available on donations you make to charity if you pay tax. You are deemed to make the payment net of tax at the basic rate under gift aid. If you are a higher rate taxpayer you can claim additional relief via your tax return. A new Gift Aid declaration was brought in 6 April 2016 making it clear donors have to have paid sufficient tax to cover their Gift aid donation.

If you are a non-taxpayer you must not sign any Gift Aid forms as no tax relief is due. You should inform any charities you make payments to that you are no longer a taxpayer. With the

removal of Tax credits, interest and dividend tax allowance from April 2016 ensure you have paid sufficient tax to cover Gift Aid
You can also donate any tax repayment due to you to charity by completing form SA100 Charity.

9.3 Coding Notices

If your code number does not need to change for the new tax year you will not be sent a new Coding Notice. Your employer or pension provider will continue to use your existing code number. If you have a code with an L suffix your employer/pensions provider will automatically adjust your code. If you have interest or dividends check your tax code carefully.

9.4 Benefits - year of retirement and subsequently

After the end of the tax year in which you retire the company should forward a copy of your benefit statement to you in May.

If you continue to receive benefits after you retire from the company these should be reported to HMRC. The most common benefit is a beneficial loan with interest paid below the official rate. It is a statutory requirement that you retain this record for 22 months.

9.5 Residence

The Statutory Residence Test is now in force. Further changes may be introduced.

9.6 State Pension

The single-tier state pension for new pensions was introduced from April 2016. It did not affect pensioners reaching state retirement age before this date. The State Second Pension (S2P) closed and contracting out (and the associated NIC rebates) was abolished.

State Pension Age (SPA)
Women born after 5 April 1950 to 5 Dec 1953 SPA between 60 and 65.
Men and women born from 6 Dec 1953 to 5 Oct 1954 SPA between 65 and 66
Born 6 Oct 1954 to 5 Oct 1960 SPA 66.

10. CAPITAL GAINS TAX

Capital Gains tax is charged on the gain after deducting the annual exemption.
It is payable by 31 January following the tax year end.
However any tax due on the sale of a property from 6 April 2019 will be payable with 30 days of the sale.

10.1 Annual Exemption

The current individual exemption is shown in appendix 1. The individual exemption is also available to personal representatives for gains accruing to them in the year of death

10.2 Tax Rate

Gains above the annual exemption are charged at the rates as shown in Appx1.

10.3 Private Residences

From 6 April 2015 the exempt period individuals have in which to sell their old home after moving out is 18 months (3yrs). There is also a 90 day test for non-residents
The maximum special exemption available in addition to the general exemption for owner occupiers who let part or all their home is £40,000.
The amount of land that is normally treated as exempt when a house is sold is half a hectare. For property the date of exchange is used for CGT purposes

10.4 Exempt Gilt-edged Securities

Most UK Government stocks and bonds are exempt from Capital Gains Tax. This includes most War Loan, Treasury and Exchequer Loan and Stock. A full list of exempt stock can be found at: https://www.gov.uk/guidance/gilt-edged-securities-exempt-from-capital-gains-tax

These securities are not chargeable gains and losses are not allowable losses.

11 INHERITANCE TAX (IHT)

The main rate remains unchanged at 40%. A lower rate of Inheritance tax of 36% will apply where 10% or more of the deceased person's net estate is left to charity.
Shares quoted on the London AIM market can be held in an ISA. AIM shares owned for 2 years or longer can be bequeathed free of IHT.
From April 2017 a new Transferable Main Residence Allowance initially set at £100,000 rising to £175,000 by 2020/21.

11.1 Annual Gifts Exemption

These rates have not changed since 1981
The current total amount of £3,000 that an individual can give in their lifetime in a fiscal year is shown in appendix 1. Where gifts (if any) fall short of the limit, the shortfall may be carried forward to the following year and added to the allowance for that year only. In addition a person may make any number of small gifts per fiscal year providing the value of all gifts in a year to any one individual does not exceed £250.
There's no Inheritance Tax on gifts from taxed income as long as you can demonstrate you had enough income to maintain your normal lifestyle.

11.2 Gifts on Marriage

These rates have not changed since 1981
A gift to a child (illegitimate, adopted or step child) or remoter descendant on marriage are as follows:

Parent of party to marriage/civil ptnrsp	£5,000
Grandparent or remoter ancestor	£2,500
Party to marriage/civil ptnrsp	£2,500
In any other case	£1,000

11.3 Nil Rate Tax Band

The current nil rate tax band (see appendix 1). Under the existing rules, you can pass on money, property or possessions without paying any tax, as long as you survive for seven years after giving it to the recipient. Thus on death the estate and any chargeable transfers within seven years of death are taxable to the extent that they exceed the nil rate tax band. Between 3 and 7 years there is a taper relief.
The nil rate band limit has been frozen from 2009/10 to 2017/18 at £325,000. Changes are proposed by both major parties after the election.

11.4 Losses

Where property is sold by the personal representatives within four years of the date of death for less than the value at death, the sale price may be substituted.

Where dealings in qualifying investments (mainly quoted shares and authorised unit trusts) are suspended within a year of death their value at the first anniversary of the death may be substituted for the value at death. This is in addition to the existing provision where qualifying investments are sold within 12 months of death for less than the death value then the sale price may be substituted for tax purposes. Up to now no relief was available if the shares became worthless or were cancelled.

12 OTHER TAXES

12.1 VAT on Domestic Fuel

The VAT charged on domestic fuel and power is shown in Appx1.

12.2 Insurance premium Tax (IPT)

The current rate of IPT is shown in Appendix 1. There are two increases in the rate. From 1 Oct 2016 10% (9.5%) and from 1 June 2017 12%.

All travel insurance is liable to the higher rate of IPT. The IPT is payable by the insured but responsibility for collection and accounting rests with the insurance company.

The selective higher rate applies where insurance is sold with specified goods or services.
This includes:
All travel policies,
mechanical breakdown insurance sold by car hire/rental companies and
mechanical breakdown/extended warrantees insurance sold by suppliers for electrical or mechanical appliances used in or about the home. This includes computers, central heating fires, TVs and telephones, but excludes normal home contents insurance cover. It is important to note that most disabled items have been included in the higher rate.

IPT does not apply to long term business including Life, Pension, General Annuity, PHI, reinsurance and general insurance of international air and sea transport and trade.

12.3 Stamp Duty Land tax

12.3.1 Property

The threshold for stamp duty on property purchases is shown in the Appx1.

Major changes were introduced with effect from 4 December 2014. The system applies in progressive rates rather than the ‘slab’ system.

From 6 April 2016 an additional 3% is due on each band for Buy to Let and second homes. It includes properties where you have an interest say purchase for child. There is an exemption exclude an self-contained annex (granny flat) where main building is at least 2/3 of the value.

For example property purchased 360,000.

	New Scheme from 4 Dec 2014				Buy to Let/2nd Home from 6/4/16		
band	Taxable	Tax %	Tax		taxable	Tax%	Tax
0-125k	125,000	0%	0		125,000	3%	3,750
125-250k	125,000	2%	2,500		125,000	5%	6,250
250k-925k	110,000	5%	5,500		110,000	8%	8,800
Total	360,000		**8,000**		360,000		**22,400**

The threshold for stamp duty on leases depends on the lease premium and the net present value of the rent payable.

12.3.2 Shares

Stamp duty on shares and securities remains at 0.5%
Shares traded on growth markets inc. AIM and ISDX are no longer be liable to Stamp duty.

12.4 Council Tax

If you built a separate flat (granny annex) with its own front door you had to pay full council tax for 2 properties. . The householder in England only, can apply for a 50% discount for an annex occupied by a non-dependent relative or exemption for a dependant relative

12.5 Probate Fees

Existing fees for estates over £5,000 is £215 for filing is £215.
A large increase in probate fees from 1 May 2017

Value of estate (before inheritance tax)	**Proposed Fee**
Up to £50,000 or exempt from requiring a grant of probate	£0
Exceeds £50,000 but does not exceed £300,000	£300
Exceeds £300,000 but does not exceed £500,000	£1,000
Exceeds £500,000 but does not exceed £1m	£4,000
Exceeds £1m but does not exceed £1.6m	£8,000
Exceeds £1.6m but does not exceed £2m	£12,000
Above £2m	£20,000

13. HMRC

HMRC Help lines
Your tax office as printed on your tax return Monday to Friday 8.30am to 5pm
SA Help line (calls charged at local rates) 0300 200 3310 outside UK +44 161 931 9070
Mon-Fri 8am to 8pm, Sat 8am to 4pm Quoting your National Insurance number may help.
Will give advice to all taxpayers on Self Assessment problems. No written confirmation given.

HMRC postal address and Telephone if no recent correspondence.
Self assessment: Self Assessment, HM Revenue and Customs BX9 1AS T: 0300 200 3310
Income tax:- Pay As You Earn, HM Revenue and Customs BX9 1AS T: 0300 200 3300

R40 tax on interest and other tax reclaims:
Pension, employment, benefit to HMRC Leicester & Northants (Claims), Saxon House, I Causeway lane, Leicester. LE1 4AA.
All other reclaims including interest - PAYE, HMRC, BX9 1AS
HMRC order line for forms & help sheets etc.
Telephone 0300 200 3610 Mon-Fri 8am to 8pm, Sat 8am to 4pm
HMRC are sending some email reminders to customers who have opted in. To verify email is genuine HMRC emails include dept. logo and customer's full name and a general reminder. Do not click on any links but log into your online account to obtain more detail

From experience HMRC are often helpful and understanding, so do not be afraid to question anything you cannot understand

Keep a note of any figures you declare in your tax return and copies of any correspondence with them. Any relevant information is invaluable if it becomes necessary for you to seek further advice. Hopefully, unless your affairs are complicated, you should have no need to resort to independent professional advice that can be expensive.

All your sources of income are now dealt with by one tax office. This will generally be the office dealing with your main pension provider as shown above.

14. Benefits

Pensions and some benefits are dealt with by Dept. Work and Pensions
Most documents all refer you to new www.gov.uk website.
The Contributions Agency part of HMRC is responsible for all contribution matters including collecting and maintaining records of National Insurance contributions.
National Insurance Contributions and Employers Office, HMRC, BX9 1AN
Telephone 0300 200 3500 Open Monday to Friday 9am to 5pm

15. Information

Government departments have substantially reduced the range of printed leaflets in recent years. All information is available on line. Most Government websites have moved to www.gov.uk The web addresses are much longer to type in now.

Further information can be found on various government websites including:

www.gov.uk	Government Depts.	Information from most Government depts.
www.gov.uk/government/organisations/department-for-work-pensions	Dept Work and Pensions	Pension and benefit information
www.gov.uk/browse/working/state-pension	Government	State Pension–includes calc, qualifying age, pension credit, deferring pension
www.dsdni.gov.uk	Dept for Social Development	Social Security Agency Northern Ireland
www.gov.uk/government/organisations/hm-revenue-customs	HMRC	HM Revenue & Customs
www.gov.uk/browse/tax	Government	Money, and Tax
www.gov.uk/browse/benefits	Government	Benefits
www.gov.uk/contact-hmrc	HMRC	Contacts for HMRC

Most leaflets and information carry a warning that it gives general guidance only and should not be treated as a complete and authoritative statement of the law.

15.1 HMRC leaflets

Very little printed material is available now. Most information is in bite sized chunks on the website so if you want to print the information about a particular subject you end up looking at and printing a number of pages. From our experience it is best to do print preview and only ask PC to print the pages you need.
All information is now available on line and leaflets are shown at:
www.gov.uk/government/collections/hm-revenue-and-customs-leaflets-factsheets-and-booklets

15.2 Other Helpful resources

www.ageuk.org.uk/	Previously Age Concern and Help the Aged
www.citizensadvice.org.uk/	Citizens Advice local or national
www.citizensadvice.org.uk/tax/problems-with-tax/help-with-tax-problems/	CAB help with tax problems
www.taxvol.org.uk/	Free tax help for older people 01308 488066
Local library	See telephone book or 'Google'
Local Council	See telephone book or 'Google'

Chris Garrett, CG-Associates.

Appx 1 Tax rates and allowances

Income Tax Year **2017/18**

1. Rates of income tax

The following bands and rates apply for the year	**2016/17**	**2017/18**
Rate band		
Basic rate band (BR)	20%	**20%**
Higher rate band (HR)	40%	**40%**
Additional rate (AR)	45%	**45%**
Taxable income		
Basic rate band 0 to	32,000	**33,500**
Higher rate band from BR to	150,000	**150,000**
Additional rate band exceeding	150,000	**150,000**

2. Income tax reliefs	**2016/17**	**2017/18**
Personal Allowance Born after 5/4/1935 [2]	11,000	**11,500**
Marriage Allowance Transfer BR and non taxpayer couple	1,100	**1,150**
Married couples allowance (H or W born before 6/4/1935)Max [1]	8,355	**8,445**
Married couples allowance (H or W born before 6/4/1935)Min [1]	3,220	**3,260**
Marriage Allowance Transfer BR and non taxpayer couple	1,100	**1,150**
Blind person's allowance	2,290	**2,320**
[1] Income limit age related allowances b4 abatement	27,700	**28,000**
[2] personal Allowance reduced by £1 for each £2 over	100,000	**100,000**
Property income allowance NOT AVAILABLE see 4.4	N/A	**1,000**
Trading income allowance NOT AVAILABLE see 4.4	N/A	**1,000**
Dividend allowance	5,000	**5,000**
Personal savings allowance basic rate taxpayer	1,000	**1,000**
Personal savings allowance higher rate taxpayer	500	**500**

New allowances will be reflected in April payments

3. Savings	**2016/17**	**2017/18**
Dividends ordinary tax rate	7.5%	**7.5%**
Dividends higher tax rate	32.5%	**32.5%**
Dividends additional tax rate	38.1%	**38.1%**
Savings see tax rate bands	above	**above**
Savings starting rate [3]	0%	**0%**
ISA limit pa - Total	15,240	**20,000**
Junior ISA /Child trust Fund limit	4,080	**4,128**
Note: Interest and Dividends paid gross from 6/4/2016		
[3] BR non savings income does not exceed per allow	5,000	**5,000**

4. Capital gains tax	**2016/17**	**2017/18**
Rate (unused amount of income tax BR band)	10%	**10%**
Rate (amount above income tax BR band)	20%	**20%**
Rate residental property not eligible PPR BR/HR	18/28%	18/28%

Exemption threshold - individual	11,100	**11,300**
- trust	5,550	**5,650**

5. Inheritance tax

Inheritance tax - transfers on death	40%	**40%**
Inheritance tax - transfers on death [4]	36%	**36%**
Inheritance tax - lifetime transfers	20%	**20%**
Residence nil rate band	N/A	**100,000**
Threshold (nil rate band)	325,000	**325,000**
Inheritance Tax- annual gifts total	3,000	**3,000**
Small gifts	250	**250**

[4] Lower rate where 10% or more of net estate is left to charity

6. VAT	01-Apr-16	**01-Apr-17**
Standard rate	20.0%	**20.0%**
reduced rate (fuel and power)	5%	**5%**

7. Insurance premium tax	**01-Nov-15**	**01-Jun-17**
Rate Insurers	10.0%	**12.0%**
Rate Ins sold by suppliers goods/serv	20.0%	**20.0%**
Rate all travel insurance	20.0%	**20.0%**

8. Stamp duty	**2016/17**	**2017/18**
Residential property 0-125,000	0.00%	**0.00%**
Residential property125,000 -250,000	2.00%	**2.00%**
Residential property 250,000-925,000	5.00%	**5.00%**
Residential property 925k - 1.5m	10.00%	**10.00%**
Residential property £1.5m+	12.00%	**12.00%**
Buy to let/second homes additional % all bands	3.00%	**3.00%**
Stock transfers (shares) rate	0.50%	**0.50%**

9. State Pension	**2016/17**	**2017/18**
Based on own NI contribution	119.30	**122.30**
Based on Spouse NI contribution	71.50	**73.30**
Own contrib born on/after 6/4/51 (men) 6/4/53 (women)	155.65	**159.55**

10. Pension Credit

Standard minimum Guarantee - single	155.60	**159.35**
Standard minimum Guarantee - couple	237.55	**243.25**
Addition for severe disability - single/ couple one qualifies	61.85	**62.45**
Addition for severe disability - couple both qualify	123.70	**124.90**
Savings Credit Threshold - single	133.82	**137.35**
Savings Credit Threshold - couple	212.97	**218.42**
Savings Credit maximum - single	13.07	**13.20**
Savings Credit maximum - couple	14.75	**14.90**

May 2017 Appendix 1

Appx 2 Example assessment for person born after 5/4/1935

Income Tax Year **2017/18**

Example Assessment for person born after 5 April 1935

SATR Ref.				**Assessable Income**	**Tax Suffered**
TR3 10	Company Pension			22,000	3,352
TR3 7	State Retirement Pension (basic)	122.30		6,360	
E1 1	Part-time Earnings			700	140
TR3 2	Untaxed Investment Income				
TR3 2	NSB Investment Account Interest			100	
TR3 3	NSB Easy Access Interest		5		
	Other		0	5	
	Taxed Investment Income				
TR3 1	Bank Interest received		150		
	plus tax deducted	0%	0	150	0
Ai1	Debenture Interest			40	8
TR3 3	UK Dividends received		180		
	plus tax credit	0%	0	180	0
TR3 1	Building Society Interest received		700		
	plus tax deducted	0%	0	700	0
	ASSESSABLE INCOME			**30,235**	**3,500**
					0
	Less personal allowance			(11,500)	
	less dividend allowance			(180)	
	less personal savings allowance			(995)	
	TAXABLE INCOME			**17,560**	**3,500**
	Tax liability at	17,560	20%	3,512	
	Less suffered (actual or deemed as above)			(3,500)	
	BALANCE TO BE PAID/ (REPAID)			**12**	
	Total Interest received			995	
	Maximum interest allowance BR			1000	
	Interest allowance			995	
	Dividends received			180	
	Maximum dividend allowance			5000	
	Dividend allowance			180	