United Kingdom

Budget for 2016-17 – Chancellor’s Statement

16 March 2016

Report from Victor Chew, IBFD Senior Principal Research Associate

The Budget for 2016-17 was presented to Parliament by the Chancellor of the Exchequer on 16 March 2016, and is available on HMRC website.

The most important features of the Budget are as follows:

- The main rate of corporation tax will now be reduced to 17% in 2020.
- The relief on interest payments will be capped at 30% of UK earnings, with exceptions for groups with legitimately high interest payments.
- Over the next 5 years, the government will:
  - introduce rules to prevent multinational companies from avoidance of tax in any of the countries they do business in via a technique called hybrid mismatches;
  - tax outbound royalty payments in a more efficient manner; and
  - ensure that offshore property developers are taxed on their UK profits.
- The headline rate of capital gains tax will be reduced from 28% to 20%, and the basic rate from 18% to 10%, from 6 April 2016. There will be an additional 8 percentage point surcharge to be paid on residential property and carried interest (the share of profits or gains that is paid to asset managers).
- The new threshold for small business rate relief will increase from GBP 6,000 to GBP 15,000.
- The higher rate threshold will be increased to GBP 45,000 from April 2017.
- The personal allowance will be increased to GBP 11,500 from April 2017.
- Two new tax-free GBP 1,000 allowances will be introduced from April 2017, one for income from:
  - selling goods or providing services; and
  - property owned.
- The Class 2 National Insurance Contributions for the self-employed will be abolished from April 2018. From April 2018, they will only need to pay one type of National Insurance on their profits, Class 4 NICs.
- Employers will be required to pay NICs on pay-offs above GBP 30,000 from April 2018.
- Individuals below the age of 40 will be allowed to open lifetime ISAs, with government contribution. From April 2017:
  - up to GBP 4,000 can be saved each year and savers will receive a 25% bonus from the government on the amount saved; and
  - the total amount that can be saved each year into all ISAs will also be increased from GBP 15,240 to GBP 20,000.
- A sugar tax will be introduced on the drinks industry.
- The fuel duty will continue to be frozen.
- The beer duty and cider duty will be frozen.
- The duty on whisky will be frozen.
- Other alcohol duties will rise in line with inflation.
- New stamp duty rates for commercial property will be introduced from 17 March 2016.
- A new tax relief will be available to temporary and touring exhibitions from April 2017.

Further details of the Budget will be reported subsequently.

See also

- United Kingdom-1, News 16 March 2016
- United Kingdom - Corporate Taxation - Country Surveys sections 1.3.3.1., 1.6.1., 9.3., 9.5.
- United Kingdom - Corporate Taxation - Country Analyses sections 1.4.5., 1.10.1., 1.10.2., 1.10.3.3., 14.3., 14.5.
- United Kingdom - Individual Taxation - Country Surveys sections 1.7.1.1., 1.7.2., 1.9.1., 3.
- United Kingdom - Individual Taxation - Country Analyses sections 1.2.3., 1.5.2.1., 1.8.1.1., 1.8.1.5., 1.10.1., 1.10.2., 3.2., 9.
- United Kingdom - Mergers & Acquisitions section 4.