



UK Budget and the NIC U-Turn

And the important change to Overseas Pensions

The Spring Budget caused controversy and an unexpected U-turn by the UK government, all due to the National Insurance Contributions (NIC) increase for the self-employed.

Under the Budget proposals, Class 4 NIC would have increased from 9% to 10% in April 2018, and from 10% to 11% in April 2019. The changes were intended to redress the imbalance between employees and the self-employed. However, the change was heavily criticised for breaking the Conservative Party's 2015 manifesto pledge not to increase NIC. Subsequently, the Chancellor of the Exchequer announced that the planned increase to Class 4 NIC would not take place during the current Parliament, which is scheduled to end by 2020.

Other than this contentious issue, Philip Hammond announced a stronger than expected economy. Further investment was announced for education, training and social care.

The tax free dividend allowance for shareholders was cut from £5000 to £2000 from April 2018. He reiterated that the Income Tax threshold (personal allowance) would increase to £11,500 a year from April, which is pledged to be increased to £12,500 by 2020.

The National Living Wage will be £7.50 an hour. The standard ISA investment limit will increase to £20,000 from 6th April 2017, whilst the Junior ISA and Child Trust Fund will be increased to £4,128.

The Capital Gains Tax exemption will increase to £11,300. This is an additional tax exemption, and if it is not used in the tax year, it is lost.

Corporation Tax will be set at 19%, being reduced from 20%. It is promised that Corporation Tax will reduce to 17% by 2020. Since 2000, Corporation Tax has decreased by 45%.

A major change was announced for overseas pensions (QROPs & QNUPs). The new rules aim to mitigate tax avoidance, and thus a 25% tax levy will apply to pension transfers on the pension fund value. The charge will be liable upfront at the time of the transfer.

Pension transfers for a tax resident in the European Economic Area (EEA) and where the scheme is located in the EEA will not be subjected to this tax charge. Both Malta and Gibraltar are not caught up in this, and similarly neither are New Zealand and Australia. However, as the Isle of Man is outside of the EEA and not a member of the EU, the charge will apply.

The overseas pension transfer charge will apply to the pension fund for up to five years under the anti avoidance measures introduced a few years back.

As ever, if you wish to consult us on any aspect above, please do not hesitate to contact us.

Private Fund Management

Telephone: +351 289392484/289392485

Facsimile: +351 289392483

Email: info@privatefundmanagement

Website: www.privatefund.management

Address: Avenida Jose Dos Santos Farias, Loja 1, Lote 83/84, Almancil, 8135-167. Portugal.

