Personal taxation

R03: 2017–18 edition

Web update 3: 14 February 2018

Please note the following update to your copy of the R03 **2017–18** study text:

Pensions advice

Be aware

The plan to introduce a new income tax exemption to cover the first £500 of pensions advice provided by an employer to an employee was initially dropped from **Finance Act 2017**. It was reintroduced in **Finance (No. 2) Act 2017** and takes retrospective effect from 6 April 2017. The exemption replaces a previous, more restrictive exemption, which was limited to £150.

This change affects the following section:

- Chapter 1, section A1C, page 1/4.

Dividend allowance

Finance (No. 2) Act 2017 reinstated that the dividend allowance will be reduced from £5,000 to £2,000 from the tax year 2018/19. It remains at £5,000 for 2017/18.

This change affects the following sections:

Chapter 1, section A1C, page 1/4.

Chapter 9, section B1A, page 9/7.

Chapter 11, section B1, page 11/5.

Trading and property allowances

Finance (No. 2) Act 2017 introduced new allowances of £1,000 each for trading and property income, effective retrospectively from 6 April 2017.

These allowances give full relief on trading/property income of up to £1,000 and partial relief where trading/property income exceeds the allowance, permitting an individual to calculate their profits by deducting the £1,000 allowance from their receipts (rather than deducting actual allowable expenses).

This change affects the following sections:

- Chapter 1, section A1C, page 1/4.
- Chapter 1, section A3, page 1/4.
- Chapter 9, section C1, pages 9/8–9/9.

Deemed domicile

Finance (No. 2) Act 2017 reinstated, with retrospective effect from 6 April 2017, new rules for deemed domicile:

- A non-domiciled individual, who has been resident in the UK for at least 15 of the preceding 20 tax years, is treated as UK domiciled for the purposes of income tax, capital gains tax (CGT) and inheritance tax (IHT).
- A non-domiciled individual, who was born in the UK with a UK domicile of origin, and who is resident in the UK for the relevant tax year, is also treated as UK domiciled for income tax and CGT purposes. This will only apply, however, if the individual has been UK resident in at least one of the previous two tax years.

Various transitional provisions have also been introduced, e.g. in respect of overseas trusts and the cleansing of mixed funds.

This change affects the following sections:

- Chapter 4, section A4, page 4/4.
- Chapter 5, section B3, page 5/6.
- Chapter 5, section D2, page 5/9.
- Chapter 5, section D3C, example 5.8, page 5/11.
- Chapter 12, section B6B, pages 12/26–12/27.

Tax avoidance penalty

Please note that following changes announced in **Finance (No. 2) Act 2017**, a new section A3D has been added to chapter 11, section A3, page 11.5:

A3D Tax avoidance penalty

There is a new penalty for enablers of defeated tax avoidance arrangements:

- Enablers are defined as those who design, manage, market or otherwise facilitate (including the provision of financial products) tax avoidance.
- Arrangements are treated as defeated regardless of whether this happens in the courts, a tribunal or otherwise counteracted.
- An opinion of the GAAR Advisory Panel must have been obtained in respect of, or which can be applied to, the arrangements to which the penalty relates before a penalty may be charged.
- The penalty charged is equal to the fee(s) paid to the enabler for their role in enabling the tax avoidance arrangements which were defeated.

The new penalty applies to steps taken by an enabler and in respect of a taxpayer's arrangements entered into on or after 16 November 2017 (the date that **Finance (No.2) Act 2017** received Royal assent).

State pension age (SPA)

Please add the following sentence to the end of the fourth paragraph of chapter 11, section C, page 11/9:

In July 2017, the Government confirmed that the SPA will rise as proposed by the report.

Class 2 National Insurance contributions (NICs)

In its policy paper on the abolition of Class 2 NICs, dated 7 November 2017, the Government announced the delay of the abolition by one year. This delays the previously announced abolition from 6 April 2018 to 6 April 2019.

This change affects the following sections:

- Chapter 2, introduction, page 2/2.
- Chapter 2, section B1, page 2/11.