

PRACTICE NOTE

PN 195/17

Date: 21 February 2017

BUDGET 2017 - INCOME TAX AND NATIONAL INSURANCE PROPOSALS

In his Budget speech today, the Minister for the Treasury, the Hon. A L Cannan, MHK, announced various taxation and National Insurance measures.

This Practice Note contains further information regarding the changes.

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1. INCOME TAX ALLOWANCES AND RATES OF TAX

The following rates and allowances will apply for the 2017/18 tax year commencing on 6 April 2017:-

Personal allowances	2017/18	2016/17
	£	£
Single person	12,500	10,500
Married couple/civil partners (combined)	25,000	21,000
Additional Personal Allowance	6,400	6,400
Blind person	2,900	2,900
Disabled person	2,900	2,900
Co-habiting couple's maximum addition	6,400	6,400
Age Allowance	0	1,000

Income tax rates	2017/18	2016/17
Individuals	%	%
Resident		
Single: Lower rate on first £6,500 [2016/17 - £8,500]	10	10
Married couple/civil partners - jointly assessed: Lower rate on first £13,000 [2016/17 - £17,000]	10	10
Higher rate on balance	20	20
Non-resident:		
Non-resident rate on all income	20	20
Companies		
Banking business	10	10
Land & property in the Isle of Man	20	20
Retail business - profits above £500,000	10	10
All other income	0	0
Other non-corporates	20	20

2. NATIONAL INSURANCE CONTRIBUTIONS

The following rates and thresholds will apply for the 2017/18 tax year commencing on 6 April 2017:-

Item (per week unless stated otherwise)	2017/18	2016/17
Lower Earnings Limit (LEL)	£113	£112
Upper Accrual Point (UAP)	£770	£770
Upper Earnings Limit (UEL)	£784	£784
Primary Threshold	£118	£118
Secondary Threshold	£118	£118
Prescribed annual equivalent of primary threshold	£6,136	£6,136
Prescribed annual equivalent of secondary threshold	£6,136	£6,136
Class 1 employees' primary rate of NI (between primary threshold and UEL)	11%	11%
Class 1 employees' additional rate of NI (above the UEL)	1%	1%
Class 1 employers' rate of NI (on all earnings above secondary threshold)	12.8%	12.8%

Item (per week unless stated otherwise)	2017/18	2016/17
Class 2 rate self-employed	£5.40	£5.40
Class 2 small earnings exception level (annual)	£6,136	£6,136
Class 2 rate for volunteer development workers	£5.65	£5.60
Class 2 rate for share fishermen	£6.70	£6.70
Class 3 voluntary contributions	£14.25	£14.10
Class 4 lower profits limit (annual)	£6,136	£6,136
Class 4 upper profits limit (annual)	£40,768	£40,768
Class 4 rate between the lower & upper limits	8%	8%
Class 4 rate above the upper limit	1%	1%

3. MORTGAGE AND LOAN INTEREST

The maximum amount of mortgage and loan interest for which tax relief can be claimed in the tax year commencing 6 April 2017 is reduced from £7,500 to £5,000 for a single person. This limit is doubled for jointly assessed couples, regardless of which partner is responsible for paying the interest.

Relief is granted on the amount claimed at the lower tax rate of 10%.

4. NURSING EXPENSES

The maximum amount of nursing expenses for which tax relief can be claimed in the tax year commencing 6 April 2017 is increased from £9,300 to £12,500. Relief is granted on the amount claimed at the lower tax rate of 10%.

5. PERSONAL ALLOWANCE CREDITS

From 6 April 2017, a Personal Allowance Credit cannot be claimed for, or paid in respect of, the year of assessment in which an individual dies, provided that the death occurs on or after that date.

The Personal Allowance Credit remains at £400 for a qualifying individual and £800 for a qualifying jointly assessed couple. The payment will be made to individuals whose income for the year ended 5 April 2017 is equal to or less than £9,500 and to jointly assessed couples whose income for the same period is equal to or less than £19,000 providing the individuals and couples satisfy the relevant conditions.

6. TAX CAP ELECTION

The tax cap applying to any new election commencing from the 2017/18 tax year remains unchanged at £125,000 per annum for an individual and £250,000 for a jointly assessed couple. For any elections commencing from the 2018/19 tax year, the maximum income tax liability for an individual will increase to £150,000 and £300,000 for a jointly assessed couple.

7. CYCLE TO WORK SCHEME - BENEFIT IN KIND EXEMPTION

A benefit in kind exemption is introduced for employers providing employees with bicycles and related safety equipment for use between their home and place of work. Any bike and equipment provided must be purchased by the employer from a retail business in the Isle of Man and the total cost to the employer must not exceed £1,000 per employee in any period consisting of three consecutive tax years.

Further details can be found in PN 196/17 - 'Cycle to Work Scheme - Benefit in Kind Exemption'

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This Practice Note is intended only as a general guide and must be read in conjunction with the appropriate legislation. It does not have any binding force and does not affect a person's right of appeal on points concerning their own liability to income tax.

Comments and suggestions for improvements of issued Practice Notes and suggestions for future Practice Notes are always welcome.