

HOW THE NEW TAX YEAR COULD AFFECT YOUR FINANCES

This guide provides a quick summary of the changes for the new tax year commencing April 2018, and how they could affect you.

PENSIONS - FROM APRIL



THE MINIMUM CONTRIBUTION FOR AUTOMATIC ENROLMENT IS INCREASING

This may mean you'll need to pay a bit more into your pension soon, but this could make a big difference to your pension pot by the time you retire. Your increase might be different depending on how your pensionable earnings are calculated.

For more information on the Automatic Enrolment increase, **watch our Pensions Basics film.**



See how these changes could add up for your pension pot with our quick **Pensions Contribution calculator.**

FROM
2% > TO
5%

£125.95
PER WEEK

Basic State Pension amount
from April 2018.

£164.35
PER WEEK

New State Pension amount
from April 2018.



STATE PENSIONS TO INCREASE

The new State Pension will increase from £159.55 to £164.35 in April 2018. Those who reached State Pension age before 6th April 2016 will see an increase to the basic State Pension from £122.30 to £125.95 a week.



THE LIFETIME ALLOWANCE IS
INCREASING FROM £1M

TO

£1,030,000

This means people will be able to take up to £1,030,000 from their pension without incurring any extra charges.



THERE WILL BE NO CHANGE TO
TAPERED ANNUAL ALLOWANCE

For anyone with an adjusted income over £150k and a threshold income over £110k, the contributions you or your employer can make to your pension tax-free will be reduced.



THE ANNUAL ALLOWANCE
WILL STAY THE SAME

£40,000 PER
YEAR

Most people will continue to receive tax relief on pension contributions up to £40,000 per year.



THE MONEY PURCHASE ANNUAL
ALLOWANCE WILL REMAIN UNCHANGED

£4,000 PER
YEAR

If you are flexibly accessing a pension through a money purchase arrangement, the maximum contribution you or your employer can make per year won't change.

COST OF LIVING - FROM APRIL



THE NATIONAL LIVING WAGE WILL INCREASE

Workers over 25 earning the National Living Wage will get an extra 33p per hour.

£7.83
PER HOUR

The National Living Wage for workers over 25 from April 2018.

TAX

FROM



TO



COUNCIL TAX ON SOME UNOCCUPIED PROPERTIES HAS INCREASED

Councils can now charge a full 100% Council Tax premium on empty properties – compared to the previous 50%. The Government hopes this will help tackle housing issues, by encouraging owners to bring their empty properties back into use. This doesn't affect properties for sale, owned by military personnel, or that annex other properties.



TAX BENEFITS OF SOME SALARY SACRIFICE ARRANGEMENTS WILL BE REMOVED

If you currently receive non-pension or non-car related benefits through salary sacrifice, these will be treated as benefits

in kind and factored into your Income Tax and National Insurance calculations.



THE MARRIAGE ALLOWANCE WILL INCREASE

If your income is less than your annual tax allowance (£11,850), you may be able to transfer up to £1,190 of your unused allowance to a spouse, so they pay less tax.

£1,190 PER YEAR



THE ANNUAL DIVIDEND ALLOWANCE IS REDUCING

Shareholders will have to pay tax on any income from dividends that exceeds £2,000 per year.

FROM £5K TO £2K

TAX CHANGES IN ENGLAND, WALES AND NORTHERN IRELAND, EFFECTIVE FROM APRIL 2018

TAX RATES AND THRESHOLDS	2017/2018	2018/2019
PERSONAL ALLOWANCE	£11,500 (starts being tapered to nil once income reaches £100,000).	£11,850 (starts being tapered to nil once income reaches £100,000).
UK BASIC TAX RATE	For those with a full personal allowance, 20% basic rate applies to annual income from £11,501 to £45,000.	For those with a full personal allowance, 20% basic rate applies to annual income from £11,851 to £46,350.
UK HIGHER TAX RATE	For those with a full personal allowance, the 40% higher rate starts to apply to annual income from £45,001.	For those with a full personal allowance, the 40% higher rate starts to apply to annual income from £46,351.
UK ADDITIONAL TAX RATE	45% on annual income above £150,000 (no personal allowance available).	45% on annual income above £150,000 (no personal allowance available).

INCOME TAX ON EARNINGS

Millions of people are set to pay less in tax due to the new thresholds, some saving up to £340* per year.

EARNINGS	PERSONAL ALLOWANCE	EARNINGS TAXED AT			TOTAL INCOME TAX PAID
		BASIC RATE (20%)	HIGHER RATE (40%)	ADDITIONAL RATE (45%)	
£10,000	£11,850	£0	£0	£0	£0
£20,000	£11,850	£8,150	£0	£0	£1,630
£30,000	£11,850	£18,150	£0	£0	£3,630
£40,000	£11,850	£28,150	£0	£0	£5,630
£50,000	£11,850	£34,500	£3,650	£0	£8,360
£60,000	£11,850	£34,500	£13,650	£0	£12,360
£70,000	£11,850	£34,500	£23,650	£0	£16,360
£80,000	£11,850	£34,500	£33,650	£0	£20,360
£90,000	£11,850	£34,500	£43,650	£0	£24,360
£100,000	£11,850	£34,500	£53,650	£0	£28,360
£110,000	£6,850	£34,500	£68,650	£0	£34,360
£120,000	£1,850	£34,500	£83,650	£0	£40,360
£160,000	£0	£34,500	£115,500	£10,000	£57,600

The above figures assume no other taxable income, no pension contributions or other adjustments for tax purposes.

* Potential saving for a higher tax rate payer.

TAX CHANGES IN SCOTLAND, EFFECTIVE FROM APRIL 2018

TAX RATES AND THRESHOLDS	2017/2018	2018/2019
PERSONAL ALLOWANCE	£11,500 (starts being tapered to nil once income reaches £100,000).	£11,850 (starts being tapered to nil once income reaches £100,000).
SCOTTISH STARTER TAX RATE	N/A	For those with a full personal allowance, 19% starter rate applies to annual earnings from £11,850 to £13,850.
SCOTTISH BASIC TAX RATE	For those with a full standard personal allowance, 20% basic rate applies to annual earnings from £11,501 to £43,000.	For those with a full personal allowance, 20% basic rate applies to annual earnings from £13,851 to £24,000.
SCOTTISH INTERMEDIATE TAX RATE	N/A	For those with a full personal allowance, 21% intermediate rate applies to annual earnings from £24,001 to £43,430.
SCOTTISH HIGHER TAX RATE	For those with a full personal allowance, the 40% higher rate starts to apply to annual earnings from £43,001.	For those with a full personal allowance, the 41% higher rate starts to apply to annual earnings from £43,431.
SCOTTISH ADDITIONAL TAX RATE	45% on annual earnings above £150,000 (no personal allowance available).	46% on annual earnings above £150,000 (no personal allowance available).

The above rates of Income Tax apply to earnings and any other sources of non-savings, non-dividend income – savings and dividend income are still taxed at the main UK rates.

INCOME TAX ON EARNINGS

These new tax rates will see middle and high earners typically paying more tax than in previous years.

EARNINGS	PERSONAL ALLOWANCE	EARNINGS TAXED AT					TOTAL INCOME TAX PAID
		STARTING RATE (19%)	BASIC RATE (20%)	INTERMEDIATE RATE (21%)	HIGHER RATE (41%)	TOP RATE (46%)	
£10,000	£11,850	£0	£0	£0	£0	£0	£0
£20,000	£11,850	£2,000	£6,150	£0	£0	£0	£1,610
£30,000	£11,850	£2,000	£10,150	£6,000	£0	£0	£3,670
£40,000	£11,850	£2,000	£10,150	£16,000	£0	£0	£5,770
£50,000	£11,850	£2,000	£10,150	£19,430	£6,570	£0	£9,184
£60,000	£11,850	£2,000	£10,150	£19,430	£16,570	£0	£13,284
£70,000	£11,850	£2,000	£10,150	£19,430	£26,570	£0	£17,384
£80,000	£11,850	£2,000	£10,150	£19,430	£36,570	£0	£21,484
£90,000	£11,850	£2,000	£10,150	£19,430	£46,570	£0	£25,584
£100,000	£11,850	£2,000	£10,150	£19,430	£56,570	£0	£29,684
£110,000	£6,850	£2,000	£10,150	£19,430	£71,570	£0	£35,834
£120,000	£1,850	£2,000	£10,150	£19,430	£86,570	£0	£41,984
£160,000	£0	£2,000	£10,150	£19,430	£118,420	£10,000	£59,642

The above figures assume no other taxable income, no pension contributions or other adjustments for tax purposes.

For more useful information about planning for your financial future, follow our Scottish Widows social media channels.



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Every care has been taken to ensure that this information is correct and in accordance with our understanding of the law and HM Revenue & Customs practice, which may change. However, independent confirmation should be obtained before acting or refraining from acting in reliance upon the information given. This information is based on announcements made in the November 2017 Budget which may change before becoming law.

SCOTTISH WIDOWS

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