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Policy paper

Tax and tax credit rates and thresholds for 2017-18

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1. Personal tax and benefits

1.1 Income tax bands of taxable income (£ per year)

	Tax year 2016-17	Tax year 2017-18
Basic rate	£0-32,000	£0-33,500
Higher rate	£32,001-150,000	£33,500-150,000
Additional rate	Over £150,000	Over £150,000

1.2 Income tax rates - 2016-17

	Tax year 2016-17
Main rates ¹	
Basic rate	20%
Higher rate	40%
Additional rate	45%
Dividend rates ²	

	Tax year 2016-17
Dividend ordinary rate - for dividends otherwise taxable at the basic rate	7.5%
Dividend upper rate - for dividends otherwise taxable at the higher rate	32.5%
Dividend additional rate - for dividends otherwise taxable at the additional rate	38.1%

1.3 Income tax rates - 2017-18

Main rates ³	
Basic rate	20%
Higher rate	40%
Additional rate	45%
Savings rates ⁴	
Starting rate for savings	0%
Savings basic rate	20%
Savings higher rate	40%
Savings additional rate	45%
Dividend rates ⁵	
Dividend ordinary rate - for dividends otherwise taxable at the basic rate	7.5%
Dividend upper rate - for dividends otherwise taxable at the higher rate	32.5%
Dividend additional rate - for dividends otherwise taxable at the additional rate	38.1%
Default rates ⁶	
Default basic rate	20%
Default higher rate	40%
Default additional rate	45%

1.4 Starting rates for savings income

	Tax year 2016-17	Tax year 2017-18

Starting rate for savings	0%	0%
Starting rate limit for savings	£5,000	£5,000

1.5 Special rates for trustees' income

	Tax year 2016-17	Tax year 2017-18
Standard rate on first £1,000 of income which would otherwise be taxable at the special rates for trustees	Up to 20%, depends on the type of income	Up to 20%, depends on the type of income
Trust rate	45%	45%
Dividend trust rate	38.1%	38.1%

1.6 Income tax allowances

	Tax year 2016-17	Tax year 2017-18
Personal allowance		
Personal allowance ⁷	£11,000	£11,500
Income limit for personal allowance	£100,000	£100,000
Income limit for Married couple's allowance ⁸	£27,700	£28,000
Marriage allowance		
Marriage allowance ⁹	£1,100	£1,150
Married couple's allowance for those born before 6 April 1935		
Maximum amount of married couple's allowance ¹⁰	£8,355	£8,445
Minimum amount of married couple's allowance ¹⁰	£3,220	£3,260
Blind person's allowance		
Blind person's allowance	£2,290	£2,320
Dividend allowance		
Dividend allowance ¹¹	£5,000	£5,000
Personal savings allowance		
Personal savings allowance for basic rate taxpayers ¹²	£1,000	£1,000

Personal savings allowance for higher rate taxpayers ¹²	£500	£500
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2. National Insurance Contributions (NIC)

2.1 Class 1 NICs: Employee and employer rates and thresholds (£ per week)

	Tax year 2016-17	Tax year 2017-18
Weekly Lower Earnings Limit (LEL) ¹³	112	113
Weekly Primary Threshold (PT) ¹³	155	157
Weekly Secondary Threshold (ST) ¹⁴	156	157
Upper Earnings Limit (UEL) ¹⁵	827	866
Upper Secondary Threshold for under 21s ¹⁵	827	866
Apprentice Upper Secondary Threshold (AUST) for under 25s ¹⁵	827	866
Employment Allowance (per employer)	3,000 per year	3,000 per year

Employee's (primary) Class 1 contribution rates	Tax year 2016-17	Tax year 2017-18
Earnings band ¹⁶	NIC rate (per cent)	NIC rate (per cent)
Below LEL	0	0
LEL - PT ¹⁷	0	0
PT- UEL	12	12
Above UEL	2	2

Married woman's reduced rate for (primary) Class 1 contribution rates	Tax year 2016-17	Tax year 2017-18
Weekly earnings from between the PT and UEL	5.85	5.85
Weekly earnings from above UEL	2	2

Employer's (secondary) Class 1 contribution rates	Tax year 2016-17	Tax year 2017-18
Earnings band ¹⁸		

Below ST	0	0
Above ST	13.8	13.8

Employer's (secondary) Class 1 contribution rates for employees under 21	Tax year 2016-17	Tax year 2017-18
Earnings band ¹⁹		
Below UST	0	0
Above UST	13.8	13.8

Employer's (secondary) Class 1 contribution rates for Apprentices under 25	Tax year 2016-17	Tax year 2017-18
Earnings band ²⁰		
Below AUST	0	0
Above AUST	13.8	13.8

2.2 Class 2 NICs: Self-employed rates and thresholds (£ per week)

	Tax year 2016-17	Tax year 2017-18
Small Profits Threshold (SPT) ¹³	5,965 per year	6,025 per year
Class 2 contribution rates ¹³	Tax year 2016-17	Tax year 2017-18
Annual Profits (£ a year) ²¹	£ per week	£ per week
Below SPT	0	0
Above SPT ²²	2.80	2.85
Special Class 2 rate for share fishermen	3.45	3.50
Special Class 2 rate for volunteer development workers	5.60	5.65

2.3 Class 3 NICs: Other rates and thresholds (£ per week)

	Tax year 2016-17	Tax year 2017-18
Voluntary contributions ^{13 23}	14.10	14.25

2.4 Class 4 NICs: Self-employed rates and thresholds (£ per year)

	Tax year 2016-17	Tax year 2017-18
Lower Profits Limit (LPL) ¹³	8,060	8,164
Upper Profits Limit (UPL) ¹⁵	43,000	45,000

Class 4 contribution rates	Tax year 2016-17	Tax year 2017-18
Annual profits band ²⁴	NIC rate (per cent)	NIC rate (per cent)
Below LPL	0	0
LPL to UPL	9	9
Above UPL	2	2

3. Working and Child tax credits, child benefit and guardians allowance

3.1 Working and child tax credits

£ per year (unless stated)	Tax year 2016-17	Tax year 2017-18
Working tax credit		
Basic element	£1,960	£1,960
Couple and lone parent element	£2,010	£2,010
30 hour element	£810	£810
Disabled worker element	£2,970	£3,000
Severe disability element	£1,275	£1,290
Childcare element of the working tax credit		
Maximum eligible cost for one child	£175 per week	£175 per week
Maximum eligible cost for two or more children	£300 per week	£300 per week
Percentage of eligible costs covered	70%	70%
Child tax credit		
Family element	£545	£545
Child element	£2,780	£2,780

Disabled child element	£3,140	£3,175
Severely disabled child element	£1,275	£1,290
Income thresholds and withdrawal rates		
Income threshold	£6,420	£6,420
Withdrawal rate (per cent)	41%	41%
First threshold for those entitled to child tax credit only	£16,105	£16,105
Income rise disregard	£2,500	£2,500
Income fall disregard	£2,500	£2,500

3.2 Child benefit (£ per week)

	Tax year 2016-17	Tax year 2017-18
Eldest/only child	£20.70	£20.70
Other children	£13.70	£13.70
Guardians allowance (£ per week)		
Guardians allowance	£16.55	£16.70

4. Tax free savings accounts

	Tax year 2016-17	Tax year 2017-18
Individual Savings Account (ISA) subscription limit	£15,240	£20,000
Junior ISA subscription limit	£4,080	£4,128
Child Trust Fund (CTF) subscription limit	£4,080	£4,128

5. Fuel benefit and van benefit charge

	Tax year 2016-17	Tax year 2017-18
Car fuel benefit charge multiplier	£22,200	£22,600
Van fuel benefit charge	£598	£610
Van benefit charge	£3,170	£3,230

- Apply to non-dividend income, including income from savings, employment, property or pensions. From 2017-18, the main rates will be separated into the main rates, the savings rates and the default rates ↩
- Apply to dividend income received above the £5,000 tax-free Dividend Allowance, introduced in April 2016 to replace the Dividend Tax Credit ↩
- Apply to non-savings, non-dividend income, including income from employment, property or pensions not subject to the Scottish Rate of income tax ↩
- Apply to savings income ↩
- Apply to dividend income received above the £5,000 tax-free Dividend Allowance, introduced in April 2016 to replace the previous Dividend Tax Credit ↩
- Apply to non-savings and non-dividend income of any taxpayer that is not subject to either the Main rates or the Scottish Rates of income tax ↩
- The Personal Allowance reduces where the income is above £100,000 – by £1 for every £2 of income above the £100,000 limit. This reduction applies irrespective of date of birth ↩
- This age-related allowance is reduced by £1 for every £2 of income over this limit ↩
- This transferable allowance is available to married couples and civil partners who are not in receipt of married couple's allowance. A spouse or civil partner who is not liable to income tax; or not liable at the higher or additional rates, can transfer this amount of their unused personal allowance to their spouse or civil partner. The recipient must not be liable to income tax at the higher or additional rates ↩
- The relief for this allowance is given at 10%. ↩ ↩²
- From April 2016, the new Dividend Allowance means that individuals will not have to pay tax on the first £5,000 of dividend income they receive ↩
- From April 2016, the new Personal Savings Allowance means that basic rate taxpayers will not have to pay tax on the first £1,000 of savings income they receive and higher rate taxpayers will not have tax to pay on their first £500 of savings income. ↩ ↩²
- Upated by CPI ↩ ↩² ↩³ ↩⁴ ↩⁵ ↩⁶
- Autumn Statement 2016 announced that the Secondary Threshold would be aligned with the Primary Threshold. From April 2018 onwards, it will be upated in line with CPI ↩
- These thresholds are upated in line with the Higher Rate Threshold to maintain alignment between the Upper Earnings Limit and Higher Rate Threshold ↩ ↩² ↩³ ↩⁴
- The limits are defined as LEL - Lower Earnings Limit; PT - Primary Threshold; and UEL - Upper Earnings Limit ↩
- No National Insurance contributions (NICs) are actually payable but a notional Class 1 NIC is deemed to have been paid in respect of earnings between the LEL and PT to protect contributory benefit entitlement. ↩
- The limit is defined as ST – Secondary Threshold ↩
- The limit is defined as UST – Upper Secondary Threshold ↩
- The limit is defined as AUST – Apprentice Upper Secondary Threshold ↩
- The Limit is defined as SPT – Small Profits Threshold ↩
- Class 2 NICs are liable to be paid by all self-employed persons with profits above the Small Profits Threshold (SPT). The self-employed may choose to pay Class 2 if their profits are below the SPT ↩
- Class 3 NICs can be paid by contributors to make the year a qualifying year for the basic State Pension (new State Pension from 6 April 2016) and Bereavement Benefit purposes ↩
- These limits are defined as LPL – Lower Profits Limit; and UPL – Upper Profits Limit ↩

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