

## Healthcare: Budget 2017

“Growth in the UK economy picked up through 2016, employment has reached a record high of 31.8 million people. The Office for Budget Responsibility (OBR) now forecasts that the UK economy will grow by 2% in 2017. Borrowing is forecast to be reduced by nearly three quarters by 2016-17”.

This was the backdrop to Mr Hammond’s first Budget, and below are the main changes affecting healthcare professionals.

### Overview

This year’s Budget did not introduce many changes affecting healthcare professionals, but the Chancellor did introduce new funding for the NHS and some changes to taxation. The £2bn promised to social care, which should speed up appropriate discharge of elderly patients, will be a relief to the NHS to some extent; however whilst it is welcome, NHS finances remain under strain

### Personal Allowances and Thresholds

The personal allowance will be increased to £11,500 from 6 April 2017. This is only available in full to those individuals with income of less than £100,000.

The higher rate tax threshold will be £33,500 from 6 April 2017. The NIC upper threshold is aligned with the higher rate tax threshold.

This means that an individual can earn up to £45,000 from 6 April 2017 before they pay any higher rate income tax.

Planning points:

- Married couples and civil partners should try and equalise their incomes to ensure that personal allowances and basic rate bands are fully utilised for each party.
- Individuals earning over £100,000 will have their personal allowances restricted on a 2:1 basis. Individuals in the bracket of income between £100,000 and £122,000 for 2016 or the bracket of income between £100,000 and £123,000 for 2017 will find that the income falling into this £22,000 or £23,000 bracket is taxed at an effective rate of 60%. Individuals should try and reduce their income below this amount by perhaps contributing into a pension or making gifts to charity under gift aid.

### National Insurance Contributions “NICs”

Following the announcement to abolish Class 2 NICs from April 2018, reforms will be made to Class 4 contributions, introducing a new flat rate of 10%. These changes will also apply from April 2018 and the flat rate will increase to 11% from April 2019.

### Dividend tax

From 6 April 2016, dividend tax rates were increased and a new tax free dividend allowance of £5,000 was introduced. From 6 April 2018, this tax free allowance will reduce to £2,000. This will affect individuals who draw a dividend from their own limited company as well as individuals with substantial private investments.

Planning point:

- Individuals may wish to revisit their remuneration planning or investment strategy to check the monetary effects of this.

### Forms of Remuneration

Employees can be remunerated in different ways via salary and benefits, and these different forms of remuneration have different tax regimes. The Government is therefore consulting on three particular aspects: benefits in kind, accommodation and employee expenses, to ensure that these are taxed in a fair and coherent fashion. Further information will follow once the consultation is finalised.

### Partnership Taxation

The Government has consulted on clarifying and improving the taxation of partnerships, and the response document will be published shortly. The Government intends to legislate on this in the 2017-18 Finance Bill.

## NS&I

A new NS&I bond is to be introduced from April 2017. The bond will be a term of three years and pay interest of 2.2%. The investment limit is £3,000.

Planning point:

- These are available for everyone over 16 years old, so consider for spouses, civil partners, children and grandchildren.

## ISAs

A new Lifetime ISA is being introduced from 6 April 2017. This will be available to those under 40 years old and they will be able to contribute up to £4,000 per annum until age 50. The Government will add a 25% bonus to the ISA each year. The funds can be used to buy a home after 12 months, or retained and drawn tax free from age 60.

Lifetime contributions can be made up to £128,000, resulting in a bonus of up to £32,000.

If funds are withdrawn before age 60, and not used to purchase a home, the individual will lose the 25% bonus on that amount, and they will have to pay a 5% charge.

Any individual who already has a help to buy ISA can merge this into a Lifetime ISA from 6 April 2017.

The overall ISA limit will be increased to £20,000 from 6 April 2017.

Planning point:

- Helping children or grandchildren fund Lifetime ISAs can help them with a deposit for their first home with a 25% uplift from the Government.

## Making Tax Digital

Making Tax Digital was to be introduced for all businesses, self employed and landlords from April 2018. This start date will only be retained for those with turnover in excess of the VAT threshold, currently £85,000. If turnover is less than this, then the start date will be delayed for one year until April 2019. The start date for companies is April 2020.

## Reform of Domicile Rules

From 6 April 2017, non-UK domiciled individuals who have been resident in the UK for 15 out of the last 20 years will become deemed domicile for all tax purposes.

Those affected by these rules may be able to segregate overseas income, gains and investment held within overseas mixed funds since 2007 and subsequent years, so the amounts subject to UK taxation are clear.

In addition, those deemed domicile at 6 April 2017 who were not born in the UK will be able to rebase their overseas cost base to 5 April 2017.

## Helping people back to work

The Government has announced an investment of £5 million to increase the number of “returnships”, helping people back into employment after a career break.

## Social Care and the NHS

The Chancellor has committing to speed up the hospital discharge of elderly patients, reducing dangerous waiting times in A&E, and funding to progress Sustainability and Transformation Plans (STPs).

The first £425 million will be invested in the NHS in the next three years.

£325 million of this will be invested in a first set of the best local STPs.

£100 million will be made available to support 100 triage systems and onsite GP facilities at A&E departments in England to help reduce pressure on services and cut waiting times. The new services should be ready by next winter.

This £100 million investment to roll out GP triage to reduce waiting times in A&E is obviously overdue, and has already proven to be successful in hospitals across the country.

### Start the conversation today

Contact your BHP account manager or one of our tax specialists.

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