Reminders for the new tax year

The start of the new tax year on 6 April marks several changes to tax and related matters that could make you richer… or poorer.

The absence of a Spring Budget does not mean that the usual raft of changes at the start of the new tax year have disappeared. Most of the important changes were announced in the Autumn Budget, in November 2017. However, Scotland has also recently approved a new set of income tax rates and bands.

Here is a list of the more important changes that take effect for 2018/19:

- The personal allowance rises by £350 to £11,850. However, the allowance will still be phased out at £1 per £2 of income over £100,000, leaving an effective 60% (61.5% in Scotland) tax band for between £100,000 and £123,700.
- The higher rate threshold will rise by £1,350 to £46,350.
- Scotland will see several changes to income tax. A new ‘starter rate’ of 19% applies to the first £2,000 of taxable income and an ‘intermediate rate’ of 21% applies to taxable income between £12,150 and £31,580. The higher rate threshold will increase by £430 to £43,430 and the higher rate will rise by 1% to 41%.
- National Insurance Thresholds rise, with the starting point for Class 1 (employers and employees) and Class 4 (self-employed) becoming £8,424 a year. For employees and the self employed the upper limit for full rate contributions will also rise in line with the non-Scottish higher rate threshold (to £46,350).
- The dividend allowance will fall from £5,000 a year to £2,000 a year, reducing a higher rate taxpayer’s net income by up to £975.
- Company car scale rates will generally rise by 2% for petrol vehicles and 3% for diesels. The proportionate increase in tax can be more than those numbers suggest. For example, on a BMW 320d the charge rises from 24% to 27%, increasing the tax payable by one-eighth.
- The pension lifetime allowance will increase for the first time since 2010, albeit only by £30,000 to £1,030,000.
- Pension automatic enrolment minimum contributions will rise. In most instances that will mean a doubling for employers and a 150% increase for employees.

The number of changes, both positive and negative, can make April pay checks a puzzle if you are an employee. This is one reason why the start of the tax year is a good time to talk to your financial adviser.

The value of tax reliefs depends on your individual circumstances.

Tax laws can change.

The Financial Conduct Authority does not regulate tax advice.