Davis & Co.
New Forest Accountants

Spring 2015

Newsletter

Welcome to our Spring 2015 Newsletter. It has yet again been a very busy year within the accounting and taxation world, with the Government making significant changes to the tax and pension system in the Autumn Statement as well as the recent Budget. We have tried to include as much as we can in this Newsletter, and for that reason apologise for its length. We have covered a variety of topics in the Newsletter, which we feel are relevant to our clients and hope you will find the contents useful, as well as interesting and informative.

As most of you are aware Laura has now become an integral part of the office, with her hours increasing and only being constrained by the needs of our children. This has been essential as the practise has yet again grown over the last year. We try to make sure the office is manned during office hours, however, we hope you all appreciate that with a family run business that is not always possible. Turning to the family, both of the children are growing rapidly and will hopefully be able to help us in the office in due course!

Income Tax Rates:

2015/16:

The personal allowance will increase from £10,000 to £10,600 from 6 April 2015. There is a reduction in the band at which tax is paid at 20 per cent. This reduces from £31,865 to £31,785. With the increase in personal allowance, this means that the point at which an employee will typically become liable to pay a higher rate tax of 40 per cent increases from £41,865 to £42,385. This is an increase of just one per cent but could mean that some employees will pay more tax.

From April 2015, the Government is introducing a transferable tax allowance of £1,060. This will apply where one partner in a marriage or civil partnership pays tax at the basic rate and the other partner has an unused tax allowance. For employees, this will be given by adjusting the tax code. You can find more information on this later in the Newsletter.

2016/17 & 2017/18:

The personal allowance will be £10,800 and £11,000 for 2016/17 and 2017/18 respectively. As a consequence there will no longer be a separate age-related allowance for 2016/17 onwards. The basic rate limit will be £31,900 for 2016/17 and £32,300 for 2017/18. The combined effect is that the higher rate threshold will be £42,700 in 2016/17 and £43,300 in 2017/18, the first above-inflation increases in the threshold for seven years.

Transferrable Personal Allowance:

Married couples and those in civil partnerships can now register for a tax break, which could help them save up to £212 a year. From 6 April, more than four million married couples and 15,000 civil partners who earn less than the £10,600 income tax personal allowance for 2015/16 will be able to transfer £1,060 of their allowance to their spouse, so long as the recipient doesn't pay higher rate (40%) or additional rate (45%) tax. This also applies where a higher earner is self-employed and it means that together, a couple will pay less tax. The plans were first announced by Prime Minister David Cameron in 2013 and published in the Budget 2014. But while they don't come into force until 6 April, from today couples can register their interest online via the Marriage Allowance site.

Anyone registered will then be contacted by HM Revenue and Customs (HMRC) in April to ask whether they want to apply. People can register at any point in the tax year and will still receive the full benefit of the allowance.

To be eligible, couples must both be born on or after 6 April 1935 (so it includes pensioners but see below for information if you're born before this date) and the recipient of the personal tax-free allowance must have an annual income of between £10,601 and £42,385 during the 2015/16 tax year.

In order to receive the tax break, one person in a couple will apply online to transfer the allowance to their spouse or civil partner, and HMRC will tell the recipient about the change to their Pay As You Earn (PAYE) tax code.

For 2016/17, the transferable amount will also be 10% of the basic personal allowance.

National Insurance:

Employment Allowance:

For the 2015/16 tax year, employers will again be able to claim the £2,000 Employment Allowance, which is available to many employers for them to offset against their Class 1 National Insurance liability. This amount is claimed as part of your normal payroll process on a month to month basis. There are some exceptions to this scheme, for example covering nannies and household staff, and anyone under IR35 for personal service companies. Revenue has advised that there are still employers which have not claimed this benefit for the 2014/15 tax year. We have ensured that this benefit has been claimed by all our payroll clients, however, if you prepare your own payroll and are unsure if you have claimed, please get in touch and we will check for you.

N.I. Exemption:

The abolition of employer national insurance contributions for individuals under 21 was announced in the Autumn Statement 2014. This measure comes into effect from April 2015. No changes were announced to the plans that from April 2016, employers of apprentices under the age of 25 will no longer be required to pay employer N.I.C.'s on earnings up to the Upper Earnings Limit.

Self Employed N.I.C.:

It has been announced that Class 2 contributions will be abolished in the next Parliament. Class 4 contributions will be reformed to introduce a new contributory benefit test. The Government intends to consult on the proposals later in 2015.

National Insurance Rates:

The HMRC have increased the NI thresholds for the 2015/16 tax year as follows:-

Class 1	£155.00 p.w
	£7,956 p.a.
Class 2	£2.80 p.w.
Class 4	£8,060 p.a.

The chargeable rates remain the same as follows:-

Class 1	12% for Employee 13.8% for Employer
Class 4	9%

Salary, Dividend or Pension Contribution?

When you work for your own company you can decide how much salary to pay yourself, how much to pay into your pension fund, and what proportion of the remaining profits to take as a dividend. The split is important as it will affect the tax and national insurance payable by you and your company.

A salary just sufficient to be covered by your personal allowance (£10,600 for 2015/16), will be tax free, assuming you have no other income. However, if your company has more than one employee (including directors), a salary of over £10,000 (for 2015/16) will mean the recipient has to be automatically enrolled in the company's pension scheme, under the auto-enrolment rules.

You must pay national insurance contributions (NIC) at 12% on your salary above £8,060. So if the company pays you £10,600, you take home £10,295 after NIC deductions. The company will also pay employer's NIC of £343.34 on that salary. However, most companies are entitled to an employment allowance of £2,000 p.a. to set against NIC due for all the employees. This means the company doesn't pay over employer's NIC until the £2,000 allowance is used up, through the year.

You could pay yourself a salary just under the NI threshold of £8,060, so you receive an NI credit towards your state pension, but you don't actually pay any tax or NI. However, at that annual salary level you will be "wasting" £2,540 of your tax free personal allowance, unless you have other income to cover it. The 1/9th tax credit attached to a dividend can't be repaid even if the dividend is covered by your tax free personal allowance.

Finally, don't forget your company can make contributions into your pension scheme and get a tax deduction for the cost. From 6 April 2015, if you are aged 55 or more you will be able to draw all funds from that scheme, although 75% of the fund will be taxable in your hands.
The implications of drawing funds out of a pension scheme can be complex and irreversible, so you should take advice from a financial adviser registered with the financial conduct authority (FCA) before making any decisions concerning pensions.

2015/16 PAYE Year End Dates:

5th April	End of current tax year. Full Payment Submission (FPS) with year-end PAYE information must be made under Real Time Information (RTI) in place of form P35, which is no longer required.
6th April	New Tax Year Starts.
19th April	Final submission must be made to HMRC under RTI for the year, including answering the "end of year questions". Deadline for postal payments remittance of PAYE, NICs and CIS to HMRC.
22nd April	Deadline for electronic payments to be cleared by HMRC for previous tax year
31st May	P60s to be given to all employees. P11d to be filed with HMRC
19th July	Class 1 A payment to reach HMRC (postal). Deadline for postal payments remittance of PAYE, NICs and CIS to HMRC.
22nd July	Class 1 A payment to reach HMRC (electronic)

RTI Penalties:

HMRC have been warning for some time about the penalties coming into effect for late filed RTI reports. The good news is that HMRC are cutting employers just a little slack, and will now allow three extra days in which to submit the full payment submission (FPS) report.

Normally the FPS must be submitted on or before the day the employees are paid, but there are some circumstances in which the FPS can be submitted up to 7 or 14 days later. For example, the FPS can be submitted within 7 days of the pay day if the employees' pay can't be calculated until the end of their shift, such as for harvest workers.

If you have already received a late filing penalty notice for a period since 6 October 2014, you can ask for the penalty to be removed. Do this by logging an appeal via the online appeals system. Complete the "other" reason box with the statement "return filed within 3 days", and the penalty should be cancelled. We can do this for you if you send us a copy of the penalty notice.

Penalties for late paid PAYE were also due to be applied automatically from 6 April 2015. However, HMRC is now going to assess the reason for the apparent late payment of PAYE before sending out a penalty notice.

We hope this means HMRC will only issue a late payment penalty when it is clear that PAYE was deliberately paid late. This should avoid penalties being issued for disputed amounts that appear on your business tax dashboard (online accounts) with HMRC. If your online account shows you owe an odd amount of PAYE please let us know without delay.

Contract of Employment / Written Statement:

If an employment lasts for at least a month, most employees are legally entitled to a written statement of the main terms and conditions of their employment. This should be supplied within two months. While details of sick leave and discipline and grievance procedures may be contained in other documents, the statement itself should be a single document and must contain information such as:

- the name of the employer and employee;
- the date that the employment or the period of continuous employment started;
- the job location;
- the pay and whether it's weekly, monthly etc;
- the working hours;
- the holiday entitlement;
- the job description / job title;
- the details of any collective agreement that directly affect the employee's conditions of employment.

This written statement is a legally binding agreement between an employer and employee, where an employee agrees to work for an employer for payment. It is evidence of the contract of employment. Ideally, the statement should be provided when employment starts, but it must be provided within two months of starting work. Employers should note that failure to provide a certificate could ultimately result in the employee making a claim to an employment tribunal. If this is upheld, compensation of between two and four week's pay could be awarded. Employers should be aware of the potential adverse effect this may have not only on their relationship with that individual employee, but with other members of their workforce.

Employers' Insurance:

As soon as a person becomes an employer they must obtain employers' liability insurance. The policy must include cover of at least £5m, which will cover compensation if an employee is injured or becomes ill because of their work. If insurance is not obtained, the employer may be fined up to £2,500 for every day without cover. However, this insurance may not be required if employees are family members or are based abroad. The certificate of insurance must be displayed, subject to a fine of up to £1,000 for failure to do so or to produce a certificate when requested.

Employee Benefits and Expenses:

From April 2015 there will be a statutory exemption for employees' trivial benefits-in-kind costing less than £50, as previously announced. An annual cap of £300 will also be introduced for directors and other office holders of close companies and employees who are family members of those office holders.

From April 2016, the £8,500 threshold below which employees do not pay income tax on certain benefits-in-kind will be removed and replaced with new exemptions for carers and ministers of religion. The current dispensation regime will be replaced with an exemption for certain reimbursed expenses and a statutory framework will be introduced for voluntary payrolling. The new exemptions for reimbursed expenses will not be available if used in conjunction with salary sacrifice.

Holiday Pay:

Some overtime pay now has to be included in most holiday pay, following an Employment Appeal Tribunal decision in November 2014. Under the previous rules, it was only necessary to take basic pay into account when calculating holiday pay.

This follows an earlier ruling by the Court of Justice of the European Union (CJEU) that holiday pay should include commission and other elements of contractual variable pay such as shift allowances. That case involved a salesman who received a basic salary plus variable commission, which made up about 60% of his total remuneration. He therefore suffered financial hardship as a result of taking a holiday because he could not earn any commission while he was away from work. The CJEU said that the purpose of holiday pay is to put workers in the position they would have been if they had been at work. The tribunal ruled that holiday pay should include pay for non-guaranteed overtime; this is overtime that an employee must work if asked, but which the employer does not have to offer them. It is not clear whether the ruling covers voluntary overtime – which the employee can refuse.

There is a complication because the decision only applies to the four weeks (20 days) of paid annual leave that employers have to provide under the Working Time Directive. Employers are still allowed to make payments at the lower, basic pay rate for the eight days of additional leave required under the Working Time Regulations 1998. This overturned an earlier decision that employees could choose which days would be covered by the Working Time Directive.

Travel and Subsistence:

Travel and subsistence relief will be restricted for individuals working through intermediaries such as umbrella companies from April 2016.

Unpaid Leave for Expectant Fathers:

Expectant fathers or partners of pregnant women now have the right to unpaid time off during working hours to accompany their wife or partner to two ante-natal appointments, of up to six and a half hours each. The employer is not allowed to ask to see the appointment card, but is entitled to ask the employee to make a declaration stating the date and time of the appointment. Employees can also be asked to state in writing that they qualify through a relationship with the mother or child and that they are taking the time off to accompany the expectant mother to an antenatal appointment made on the advice of a designated healthcare professional.

Increases to National Minimum Wage Penalties:

All Employers need to be aware that the Government is committed to increasing compliance with the National Minimum Wage legislation and effective enforcement of it. Everyone who is entitled to the N.M.W. should receive it, which is why they have taken bold enforcement measures including: an enhanced naming and shaming scheme for employers who have not complied with the law; raising the maximum civil penalties for non-compliance from £5,000 to £20,000 per worker; and increasing the enforcement budget from 2015/16 by a further 30 per cent. In 2013/14 a record £815,269 in penalties were issued to non-compliant employers and 22,600 workers were helped to get their underpayments back (a 17% increase on the numbers helped in 2009/10). The HMRC reforms are designed to improve awareness, increase the incentive on employers to comply with the N.M.W. legislation and to increase the penalties where they do not.

From October 2015, the national minimum wage rates per hour will be:

Age	*Rate £*
21 and over	6.70
18 to 20	5.30
16 to 17	3.87
Apprentice	3.30

WAGES

Savings:

Premium Bonds:

As HMRC previously announced, the premium bond investment limit is to increase from £40,000 to £50,000 on 1 June 2015. This is an individual limit so a couple has a total investment limit of £100,000 from that date.

Personal Savings Allowance:

It is proposed that a new Personal Savings Allowance be introduced from 6 April 2016. For a basic rate taxpayer, this will exempt from income tax the first £1,000 of savings income, such as bank and building society interest. For a higher rate taxpayer, only the first £500 will be exempted. The Personal Savings Allowance will not be available to additional rate taxpayers. As part of these reforms, HMRC will introduce automated coding out of savings income that remains taxable through the PAYE system from 2017/18, with pilot schemes starting in autumn 2015.

Individual Savings Accounts (ISA's):

It is announced that regulations will be introduced in Autumn 2015 to enable a cash ISA investor to withdraw money from his/her ISA and pay it back in again during the same tax year without the second transaction counting towards his/her ISA subscription limit for that year. Regulations will also be introduced to extend the list of qualifying investments for ISA's and Child Trust Funds.

Help to Buy ISA's:

This proposed scheme for first-time home buyers will provide a bonus to each person who has saved into a Help to Buy Individual Savings Account. The bonus will be paid at the time the savings are used to purchase a home. For every £200 saved, the Government will provide a £50 bonus up to a maximum of £3,000 on £12,000 of savings. Accounts are expected to be available through banks and building societies from Autumn 2015. Savers will be able to make an initial deposit of £1,000 and a monthly saving of up to £200. The bonus will be available on home purchases of up to £450,000 in London and up to £250,000 elsewhere in the UK.

Tax Avoidance:

Following all the high profile 'Tax Avoidance / Evasion' stories, Revenue has decided to clarify the situation. They have published a list of ten items that serial tax avoiders need to be aware. It's a reminder as we approach the end of another tax year that overstepping the mark can have serious consequences.

Here's what HMRC has said:

1. HMRC is serious about stopping avoidance: the Government is taking unprecedented steps to clamp down on the small minority who try to avoid paying tax that is legally due.
2. Other people are getting out of avoidance: increasing numbers of people involved in multiple avoidance schemes are approaching HMRC to settle up so that they can put the past behind them and protect their reputation.
3. HMRC wants to help tax avoiders to get out of avoidance: HMRC will work with avoiders who demonstrate a commitment to resolving their avoidance arrangements to finalise their tax liability and will provide certainty over payment terms. HMRC has set up a single point of contact to help establish the possible terms for exit from each scheme a serial avoider uses.
4. HMRC is moving more quickly to tackle serial avoiders: as they close in and increase their focus on this minority, HMRC will look ever more carefully at those who use multiple schemes.
5. The tax avoider is the one who is responsible: even if a promoter or agent has arranged the avoidance scheme for the user, the avoider remains responsible for their own tax affairs and what is put on their tax return. Serial avoiders will personally have to provide HMRC with information and documents regarding their tax affairs.
6. HMRC has a special unit looking at tax avoiders: the Serial Avoiders Unit is identifying users of multiple schemes who choose not to approach HMRC to settle their affairs.

Tax Avoidance………..continued

7. Tax avoiders may personally have to attend meetings with HMRC investigators: HMRC will ask questions about their tax affairs and will be checking that they have the full facts about their arrangements.
8. HMRC will look at all the tax avoider's tax affairs: serial avoiders will be subject to a more co-ordinated approach to challenge and resolve their tax affairs. HMRC will look at their current activity, not just enquiries that are already open. And they will look at all the entities and structures the tax avoiders are connected with, to challenge any avoidance and evasion in all areas of their affairs.
9. Tax avoiders may have to pay up front: HMRC will fundamentally reduce the incentive to engage in serial tax avoidance and recover all duties legally due at the earliest opportunity. Multiple users of schemes may receive Accelerated Payment Notices before other users of a scheme.
10. There are heavy sanctions: HMRC will evaluate the behaviour of each serial avoider and this could result in penalties for careless or deliberate behaviour or for any failure to disclose avoidance. Deliberately misleading or concealing information from HMRC could lead to prosecution and criminal conviction.

None of the above comments should stop you considering strategies that minimise your tax position based on current law and best practice. One thing that HMRC has failed to mention in the above list is the number of taxpayers in the UK who pay too much tax because they failed to claim allowances and reliefs available. This underlines that planning is critical especially if your tax affairs are complex.

New Measures to Address Tax Avoidance:

A range of measures will be brought in to make tax avoidance more difficult. These include:

- amending corporation tax rules to prevent contrived loss arrangements
- no longer allowing businesses to take account of foreign branches when reclaiming VAT on overheads
- closing loopholes on Entrepreneurs Relief, so only those selling genuine stakes in businesses can use it
- more accelerated payments notices to those who hold out from paying the tax that is owed
- stopping employment intermediaries exploiting the tax system to reduce their own costs
- introducing new criminal offences for tax evasion and new penalties for those professionals who assist them.

Business Rates:

The current temporary increase in Small Business Rate Relief, which started on 1 October 2010 and was due to end on 31 March 2015, will continue until 31 March 2016. The measure doubles the usual rate of relief so that ratepayers with rateable values below £6,000 pay no rates at all for the period, while ratepayers with rateable values between £6,000 and £12,000 receive tapered relief from 100 per cent to 0 per cent.

The current scheme came into effect in October 2010 when the Government introduced a temporary increase in the level of Small Business Rate Relief (SBRR) available to eligible businesses.

In addition to the extension a permanent measure has been introduced to remove a disincentive to growth, ratepayers will continue to receive their existing Small Business Rate Relief for 12 months where they occupy an additional property which would usually disqualify them from receiving relief.

Official Interest Rate:

HMRC have announced that the official rate of interest (used, for example, to calculate a taxpayer's benefit-in-kind charge on beneficial loans) will be 3% from 6 April 2015. This is a reduction in the rate which had been 3.25% for the 2014/15 tax year and prior to that had been 4% since 2010/11 tax year. One of the more significant effects of this reduction will be on the calculation of the benefit in kind charge on beneficial loans.

Mileage Rates:

We will have already had conversations with a number of you regarding your Motor Expenses and how best to claim these. We still strongly recommend keeping a mileage log where possible, detailing all miles undertaken for an on behalf of business matters. However, it is also still important to keep receipts for your motor expenses, as this enables us to calculate your most tax efficient claim.

The Mileage rates for 2015/16:-

Car & Vans	45p per mile for first 10,000
	25p per mile for thereafter (up by 5p per mile)
Each qualifying passenger	
	5p per mile
Motor Cycles	24p per mile, irrespective of total miles
Bicycles	20p per mile, irrespective of total miles

Gift Aid:

The maximum annual donation amount that can be claimed through the Gift Aid small donations scheme will increase from £5,000 to £8,000. This will take effect from April 2016, allowing Charities and Community Amateur Sports Clubs to claim Gift Aid top-up payments of up to £2,000 a year.

Child Benefit Clawback:

If you receive Child Benefit and either you or your partner has income in excess of £50,000, you are required to complete a Self Assessment Tax Return in order to calculate how much of the Child Benefit you have received and may have to pay back.

If you or your partner earns £60,000 or over and this is not likely to change, you may want to consider stopping receiving Child Benefit all together, thus avoiding the requirement to submit a Tax Return or pay back the Benefit. However, if your income is between £50,000 and £60,000 or your income fluctuates, you should continue to receive the Benefit and be prepared to pay back what you owe via Self Assessment.

You can choose to stop or restart your Child Benefit at any time. Use the Child Benefit tax calculator to work out how income changes affect the tax charge.

TAX-FREE CHILDCARE:

The government has doubled the maximum amount that parents of disabled children will be able to receive to help pay for their childcare costs from £2,000 to £4,000 per disabled child, per year.

Beware of Social Media!!

HMRC are still routinely checking Facebook & other Social Media and are catching people out!! Watch what you put on your status if you're on FB or other such Media's:

Such as "*had a brilliant day selling, been on amazing expensive holiday to Barbados, Lots of School Trips for children, paying a fortune for my Daughters' Wedding*"

These are all the things they are looking at, and they will be seeing if your lifestyle fits your earnings, and can use this as a reason to check your business affairs.

Tax Returns and Tax Payments:

During the next parliament, digital tax accounts will be introduced to remove the need for individuals and small businesses to complete annual Tax Returns. Further details about the policy and administrative changes will be published later in 2015. Over the summer there will also be consultation on a new payment process to enable tax and NICs to be collected via digital accounts. Whilst sounding like a great soundbite, it transpires that the tax return will continue into existence until 2020.

Limited Liability Partnerships:

HMRC are still viewing a partner in a limited liability partnership (LLP) as not automatically being regarded as self-employed.

Depending on the nature of the partner's work, he or she may be regarded as an employee, which means that their earnings must be paid through the payroll with PAYE and national insurance deducted.

Auto Enrolment – How will it affect you?

Every employer with at least one member of staff now has new duties, including putting those who meet certain criteria into a workplace pension scheme and contributing towards it. This is called automatic enrolment and by now, if you are an employer, you will likely have received a letter from The Pensions Regulator explaining your obligations.

Communicate the changes: Employers are required by law to write to all workers explaining what automatic enrolment into a workplace pension means for them. There are different information requirements for each category of worker. Make sure you have a strategy in place for briefing employees and plan how you will manage any queries that arise. A range of letter templates are available on the Pensions Regulator website to help employers fulfil their legal obligations.

Automatically enroll eligible jobholders: Under the new regulations, employers are required to: provide information to the pension scheme about the eligible jobholder; give enrolment information to the eligible jobholder; and make arrangements to achieve active membership for the eligible jobholder. This should be carried out within the 'joining window' (the one-month period from the eligible jobholder's automatic enrolment date).

Register with the Pensions Regulator and keep records: All employers will need to register online with the Pensions Regulator within four months of their staging date.

Employers must also keep specific records about their workers and their pension scheme(s).

Contribute to workers' pensions: From October 2018 all businesses will need to contribute at least 3% on the qualifying pensionable earnings for eligible jobholders. Compulsory contributions will be phased in over a number of years. Employers are also required to make contributions for non-eligible jobholders who choose to opt in to the pension scheme.

Auto Enrolment…….continued

Risks to consider - Failing to comply with regulations: Small businesses which do not meet their auto-enrolment obligations in time, or are offering pensions which do not comply with regulations, can be hit with fines of up to £500-a-day (£10,000 for large businesses).

Know your staging date and develop a plan: Your 'staging date' is the date from which your auto-enrolment duties first apply. It is determined by the total number of people in your largest PAYE scheme, based on HMRC's records as at 1 April 2012. You can find out your staging date by visiting www.thepensionsregulator.gov.uk/staging.

Assess your workforce: you will need to identify any eligible jobholders working for you. Automatic enrolment is required for those who:

are aged between 22 years and the state pension age

have qualifying earnings above the earnings trigger for automatic enrolment (£9,440 in 2013/14)

are working or ordinarily working in the UK

are not already a member of a qualifying pension scheme.

You will also need to consider whether you have an employer duty in relation to other types of workers including non-eligible jobholders and entitled workers.

Review your pension arrangements: Decide on the type of pension scheme you will offer. Do you have an existing scheme that meets (or can be changed to meet) the Government's requirements, or will you need to set up a new one? You may also want to consider the new National Employment Savings Trust (NEST).

Auto Enrolment…….continued

Not budgeting properly: Unsurprisingly, the risk of not adequately preparing for auto-enrolment could see firms landed with pension bills they cannot afford, meaning cutbacks may have to be made elsewhere. Planning early is the way to avoid this added expense.

Encouraging staff not to join: Employers are banned from offering incentives to their workers to opt out of an auto-enrolled pension. They are also not allowed to refuse to employ someone because they want to join the company pension scheme. The Pensions Regulator provides a whistleblowing facility to combat this and may issue penalties to those firms found breaching these rules.

Single Director Companies: There is an exemption available for Companies whose only employee is a Director. It would appear that this can also be extended to Companies with more than one employee, as long as they are all Directors with no contract of employment and are member of the same family. If you believe this applies to you, please let us know and we can clarify for you.

Whatever your staging date, it is important to prepare for auto-enrolment in good time. If you want to you can enroll earlier and avoid the mad rush of everyone doing it at the same time. Further information for employers is available at www.thepensionsregulator.gov.uk.

We are able to put you in contact with a Pensions Advisor should you require assistance.

Fines for Non-Compliance with Auto Enrolment:

The Pensions Regulator (TPR) has issued 166 Fixed Penalty Notices of £400 to employers who failed to meet their obligations in the last quarter of 2014.

The number of employers approaching the date when they must confirm that they have complied with new workplace pensions duties (known as a declaration of compliance) is now beginning to rise significantly as auto enrolment is rolled out across all employers. In future months, TPR expects to see more employers who, despite the message to prepare early, leave it too late or do not comply at all.

The Pensions Regulator's Director of automatic enrolment, Charles Counsell, said,

'My message to all employers is that failing to declare within five months of your staging date means you risk being fined, which is why we recommend you start your automatic enrolment planning and preparation 12 months before staging.

It appears some medium employers waited for a prompt from the regulator before completing their automatic enrolment duties. Employers must complete all their duties including making their declaration of compliance to The Pensions Regulator.'

Experience to date also shows that employers should begin gathering the information they need to complete their declaration of compliance well in advance of their deadline.

If you would like help or advice with auto enrolment please get in touch.

VAT:

VAT Registration & De-Registration Thresholds:-
The taxable turnover threshold, which requires a person to register for VAT, will be increased from £81,000 to £82,000 per year from 1 April 2015. The threshold below which a VAT-registered person may apply to deregister will be increased from £79,000 to £80,000 per year. The relevant registration and deregistration threshold for intra-Community acquisitions will also be increased from £81,000 to £82,000 per year.

VAT Rates remain unchanged, so the standard rate is 20% and the reduced rate is 5%.

Subcontractors (CIS System):

The new CIS Scheme has now been in operation for a number of years, and where appropriate our clients are being assisted to ensure the filing deadlines are met. Should you feel that you may be involved within the scope of the Construction Industry and that the CIS Scheme may affect you, please contact us straightaway, as severe penalties can be levied for non-compliance.

Corporation Tax Rate:

The main rate of corporation tax will be 20% from 1 April 2015, as previously announced, and will stay at 20% for the financial year starting on 1 April 2016.

State Pension:

Pensioners will, from next year, be able to "buy" up to £25 a week extra state pension. The offer will be available to anyone who reaches state pension age by April 2016 – that is, women currently 61 or older and men 63 or more – regardless of their existing state pension entitlement. The scheme is designed to offer fairness to the 12 million people who will miss out on the new flat-rate state pension, which will pay around £155 a week from April 2016. There will be a short window to take advantage of this, running for 18 months from October 12 2015 to April 1 2017.

Each additional £1 a week will cost a 65-year-old £890. The maximum top-up of £25 a week will cost £22,250. An online calculator is available at **gov.uk/state-pension-topup**. The payout is linked to inflation, so it will rise each year. The Government will allow a surviving spouse or civil partner to inherit 50% of the top-up on the pensioner's death.

Financial advisers said for many people this represents good value for money. However, it could be costly to those with health issues, higher rate taxpayers and retired couples who need access to a lump sum.

How does it work?
Today, you need 30 years of full National Insurance contributions to qualify for the full basic state pension. This provides £113.10 a week. Fewer "qualifying years" of National Insurance contributions reduce the weekly amount accordingly. Now, a boost to this basic amount is being offered. To obtain it you must "buy" a new class of National Insurance, called Class 3A.

State Pension……..continued

However, it will only be available to future pensioners. Anyone who reaches – or has already passed – state pension age by April 2016 will be stuck on the old system. The Government says it is unaffordable to include existing pensioners. Instead, it has designed this new top-up scheme.

How do I work out value for money?
The scheme operates like an annuity, where you hand your savings to an insurance company in exchange for a guaranteed income for life. It will only pay off if you live to see all your money returned – for a 65-year-old, that means living past 82. Every pound earned subsequently will count as a "return" before tax. However, when you factor in basic rate tax, a 65-year-old will need to live to 88. The average life expectancy for a 65-year-old is 87, according to Richard Willets, an expert in mortality trends at the insurer Partnership. But a healthy 65-year-old is expected to live to nearer 90 or 91, according to Legal & General. So those in good health should benefit from topping up their state pension.

The scheme will also appeal to pensioners whose spouses are of a younger age, and therefore expected to claim some of the benefit for years after their husband or wife dies. It is worth plugging some numbers into the Government website to get a feel for the cost and value at your age. If you would rather speak to someone, call 0845 600 4270 or 0345 600 4270.

Those for whom the scheme may be poor value include single pensioners and those with shorter life expectancies, or who need access to their money. This also applies if you have a family history of poor health, as there may be an increased risk of dying before you break even on the investment.

Others will prefer to hold their money in cash, to spend as and when they choose, rather than committing to an income.

State Pension….continued:

Isn't there already a top-up system?
Yes. Workers approaching retirement can make a lump-sum payment to increase their basic state pension if they have accrued fewer than 30 qualifying years. This can be the case for women, for example, who took time out of work to raise children. The new scheme is not replacing these arrangements; the Government is urging pensioners to ensure they have full entitlement to the basic payment before purchasing the new top-up. This is because the cost of the existing scheme is much lower. A sum of £890 currently buys a 65-year-old £4.64 a week extra basic state pension – nearly five times the amount offered by the new scheme.

In other words, it takes about four years to recoup the cost of buying the extra years to get the full state pension. From then on, the payouts will put you in "profit", if you regard this as an investment.
By contrast, it will take 17 years before your outlay on the new Class 3A scheme is repaid (stripping out the impact of inflation and tax, see below), at which point the scheme looks good value.
The top-up to the basic payout in the existing scheme also rises each year by the highest of the increase in average earnings, inflation on the consumer prices index, or 2.5%. By contrast, the new top-up scheme is linked only to inflation on the consumer prices index, according to Hargreaves Lansdown, a pension provider.

Why is this happening now?
Steve Webb, the pensions minister, attracted criticism from lobby organisations such as the National Pensioners Convention for excluding existing pensioners from the new flat-rate state pension due in 2016. The flat-rate will tackle today's complex system of means-tested and earnings-related top-ups. There will be a single tier payment of around £155 a week. Anyone who has accrued entitlement will keep this. Men and women will both need 35 years of National Insurance contributions to qualify.

It will mainly help women and the self-employed, many of whom accrue less than the full state pension available, having failed to build up entitlement to additional state pension payments during their careers.

Pension Annuity Sale:

From April 2016, an individual who is already receiving income from a pension annuity will be able to sell that income to a third party, subject to agreement from their annuity provider. The proceeds of the sale can then be taken directly or drawn down over a number of years and will be taxed at the individual's marginal rate(s). The facility will not be available for annuities bought by the trustees of occupational pension schemes.

In the hands of any purchaser of the annuity, the income will be taxable as trading income or miscellaneous income.

Taxation of Inherited Annuities:

Beneficiaries of individuals who die under the age of 75 with a joint life or guaranteed term annuity will be able to receive any future payments from such policies tax free where no payments have been made to the beneficiary before 6 April 2015. The tax rules will also be changed to allow joint life annuities to be paid to any beneficiary. Where the individual was 75 or over at death, the beneficiary will pay income tax at their marginal rate(s).

Lifetime Allowance:

From 6 April 2016 the lifetime allowance for pensions will be reduced from £1.25 million to £1 million. Transitional protection for pension rights already over £1 million will be introduced alongside this reduction to ensure the change is not retrospective. The lifetime allowance will then be indexed annually in line with CPI from 6 April 2018. There is no change to the annual allowance, which remains at £40,000.

Inheritance:

Inheritance Tax (IHT) Threshold:
The IHT threshold remains at £325,000 for 2015/16. Chargeable lifetime transfers are initially charged at 20%.

Annual gifts of up to £3,000 per donor are exempt.

Deeds of variation:
The government will review the use of deeds of variation for inheritance tax planning.

Inheritance tax and trusts:
New rules will target tax avoidance through the use of multiple trusts. As announced in the Autumn Statement 2014, the government will not introduce a single settlement nil-rate band. Inheritance Tax Transfers after 5 April 2015 and before 6 April 2016 Death Rates Gross transfer Rate % Up to £325,0001 Nil Over £325,000 40%.

When was the last time you reviewed your Will?

Do you have any idea if your estate will have an inheritance tax liability when you die? How much will it be? Who will have to pay it?

Planning opportunities arise if:

- If you have assets that you would like to give away.
- If you have any interests in a business or company, or own agricultural property.
- If you have assets that you would like to gift, but are concerned that other parties may seek to control those assets against your wishes.

These and many other scenarios, particular to your circumstances, may be available. The key is to explore these planning strategies before the burden of responsibility for settling tax is passed to your executors, and ultimately, your family and beneficiaries.

Capital Gains Tax (CGT):

The annual exempt amount for 2015/16 is £11,100.

Non-UK Residents Disposing of UK Residential Property:
Following consultation the government has confirmed that from 6 April 2015 non-UK resident individuals, trusts, personal representatives and narrowly controlled companies will be subject to CGT on gains accruing on the disposal of UK residential property on or after that date. Non-residents will be subject to tax at the same rates as UK taxpayers (28% or 18%) on gains above the annual exempt amount. Non-resident companies will be subject to tax at the same rates as UK companies (20%) and will have access to an indexation allowance.

Residential Property:
Private residence relief will be restricted where a property is located in a jurisdiction in which a taxpayer is not tax resident. In these circumstances the property will only be regarded as the person's only or main residence for a tax year in which the person meets a 90-day test for time spent in the property over the year. Non-UK resident individuals, trusts, personal representatives and narrowly controlled companies will become subject to tax on gains on the disposal of UK residential property after 5 April 2015.

Capital Allowances:

A new measure will clarify, from 26 February 2015, when it was first announced, the effect of anti-avoidance rules for capital allowances where there are transactions between connected parties or sale and leaseback transactions.

Rent a Room Scheme:

HMRC's Rent a Room Scheme is still a very good way to bring a little extra money into your household without incurring tax. The Scheme only applies to owner occupiers and tenants who receive rent from letting furnished accommodation in their only or main home. If your gross receipts (before expenses and including any amounts received for meals, goods and services provided, such as cleaning or laundry) and any balancing charges do not exceed £4,250 you will be exempt from Income Tax on any profits made. You can however, opt out of Rent a Room; you may want to do this if you have made a loss.

If your gross receipts are more than £4,250 you can choose between paying tax on:

- your actual profit (gross rents minus actual expenses and capital allowances), or
- gross receipts (and any balancing charges) minus £4,250 – with no deduction for expenses or capital allowances.

Rent a Room relief applies to a tax year and the limit of £4,250 is reduced to £2,125 if during the basis period someone else received income from letting accommodation in the same property.

Rent a Room does not apply to income from accommodation used as an office or for business other than by genuine lodgers (for example, students who are provided with study facilities in their lodgings, or lodgers who do some work in your home in the evenings or weekends).

Goodwill:

Corporation tax relief will be restricted on goodwill associated with a business that a company acquires from a related individual or partnership from 3 December 2014, as announced in the Autumn Statement 2014.

HMRC Scam E-Mails:

HMRC are still warning taxpayers to be wary of the continuing e-mail phishing scams that claim to offer tax rebates in return for bank account details. They are still receiving thousands of reports of phishing scam e-mails every year.

HMRC states that it never contacts taxpayers via e-mail regarding a refund and advised anyone who receives an email claiming to be from HMRC:

- not to click on any links or attachments
- forward it to phishing@hmrc.gsi.gov.uk and then
- delete it permanently.

How to tell if an email is fraudulent:

As well as spelling mistakes and poor grammar, there are a number of things you can look out for to help you recognise a phishing/bogus e-mail. For example, look out for a sender's email address that is similar to, but not the same as, HMRC's email addresses. Fraudsters often have email accounts with

HMRC or revenue names in them (such as refunds@hmrc.org.uk'). These email addresses are used to mislead you. However be aware, fraudsters can falsify (spoof) the 'from' address to look like a legitimate HMRC address (for example '@hmrc.gov.uk').

HMRC have published advice and examples of typical fake emails at: www.hmrc.gov.uk/security/index.htm

<u>Companies House Scam E-Mails:</u>

Companies House are also still warning people to be suspicious of any unsolicited emails, even if they look like they're from a trusted source. Companies House will never ask you to disclose personal or payment information by e-mail.

If you have any doubt that an email you receive from Companies House is genuine, please do not follow any links, open any attachments, disclose any personal details or respond to it.

Companies House have also confirmed that it will never contact you via e-mail and have advised anyone who receives an e-mail claiming to be from Companies House to:

- not to click on any links or attachments
- forward it to phishing@companieshouse.gov.uk. and then
- delete it permanently.

Companies House is unable to investigate paper copies of suspicious e-mails/websites so you will need to forward the suspicious e-mails to the e-mail address shown above.

The contents of this Newsletter reflects our understanding of the current Tax Law, which may change when the Finance Act goes through the House of Commons.

If any points arising from our Newsletter make you think of someone you know, please don't hesitate to let them know about us!

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