



# Hazel Cooch FCCA

## Accounting and Tax Services

### Newsletter - April 2016

Hello and welcome to my latest mini newsletter.

**New Tax Year** - Quite a few changes that were announced some time back will come into effect this month and I thought it would be good to recap a few of the most relevant, and a few planning points (in blue) you may like to consider now if they apply to your circumstances.

#### Individuals

- **The Personal allowance** has gone up to £11,000 for most people. The tapered reduction of personal allowance still applies to individuals with an income over £100,000.  
The higher rate (40%) band starts after £32,000 of taxed income (i.e. at £43,000 if you are entitled to the full personal allowance), and the additional rate (45%) band after £150,000.
- **Transferable personal allowance between spouses (including civil partnerships)** - it is now possible to transfer a fixed amount of 10% of the personal allowance (so £1,100 this year) between such partners provided neither is a higher rate tax payer.
- **Interest on savings** is no longer taxed at source by banks etc. The new savings allowance applies and the first £1,000 of interest earned is tax free for basic rate taxpayers, reducing to £500 for higher rate taxpayers and to nil for additional rate taxpayers.
- **Dividends** - these are now paid without any tax credit and the new £5,000 tax free allowance (0% band) takes effect. *If you have over £5,000 of dividend income you should budget for an increase in your annual tax bill. Also if you have over £5,000 of dividend income you should consider if an inter-spouse gift is appropriate.* Gifts to others are also possible but may incur Capital Gains Tax.
- **Pension contributions** - for those with a income over £110,000 and total income (including pension contributions) over £150,000 there is now a taper of the annual allowance of contributions eligible for tax relief (including those paid by employers) from £40,000 down to a minimum of £10,000 pa.
- **Childcare Support** - the existing scheme of childcare vouchers will close to new entrants at the end of this tax year and be replaced by a new system. Most people are expected to benefit from switching, however some will not. *If the new rules are less beneficial consider joining the existing scheme now where possible.*

#### Employers

- **The living wage** came into effect this month giving everyone over age 25 an extra 50p above minimum wage. (Currently the living wage is £7.20ph). Minimum wage rates still apply to under 25s and there are separate rates for some apprentices.
- **The NIC Employment Allowance** has been raised to £3,000, however, it ceases to be available to Companies where the director is the sole employee when the payment is made. *If you have such a company consider if you can realistically take on a family member part time (remember minimum wage and pension auto-enrolment rules may apply).*  
**Scottish matters** - new tax codes with an "S" prefix will be issued to employees liable to Scottish Taxation. You should ensure that your payroll system up to date for this.

#### Property Matters

- **Rent-a-room relief** (for letting a room in your main home) has increased from £4,250 to £7,500p.a.
- **For Buy-to-let (BTL) landlords** the 10% wear & tear allowance has been abolished. Any actual replacement costs of furnishings can be claimed instead - *you need to keep the relevant receipts.*

- **Looking ahead landlords** will have the loss of higher rate relief on any finance costs phased from April 2017. If you are planning any new buy-to-let property purchases it is worth considering whether to put these into a Limited Company.
- **Stamp duty** - an extra 3% charge is now levied on purchases of all properties other than your main residence. This is not just BTL but also holiday homes etc.

### The Budget

This years budget was on 16 March. As always I don't propose to repeat it all here - if you wish to read more it can be found at <https://www.gov.uk/government/publications/budget-2016-documents>

I will however comment on a few points relevant to most of you (effective dates vary):

- **Personal allowance** goes up from April 2017 to £11,500 and the basic rate band will rise to £33,500.
- **Another new ISA opportunity for 18-40 year olds** was announced. The "lifetime" ISA allows savings of upto £4000pa with a 25% bonus each year from the government. Withdraw only for purchase of first house or on retirement or the bonus is lost and a charge applies. Start date to be announced.
- **IR35 rules** will be modified for the public sector (e.g. NHS and BBC) so the liability passes from the service company to the third party ("employer").
- **Small trading and property income** will become exempt from tax from April 2017 for first £1000 (of income NOT profit) as the cost of tax collection exceeds the tax actually collected. This is primarily aimed at the many small online traders and at "hobby" income.
- **Capital Gains Tax Rates** will drop from April 2016 to 10% for basic rate taxpayers and 20% for higher rate taxpayers. The main exception to this is gains on residential property which will still be taxed at 18%/28% as applicable.
- **Company Loans to participators** taken after 6/4/16 that are liable to tax under s455 ("deemed dividends"), paid by the Company, will now be taxed at 32.5% (was 25%).

### Reminders

- P60's should be given to employees by 31 May and P11Ds by 6 July. If you are an employer P11ds should also be submitted to HMRC by 6 July and any Class 1a NIC due paid by 19 July.
- **ATED** - the threshold has now reduced again. Companies (and similar) with UK residential properties that were worth over £500,000 individually on 1/4/12 or when acquired if later are now liable to pay tax. [The return and tax are due by 30 April 2016.](#)
- **The VAT registration threshold** rose to turnover above £83,000pa from April 2016 - make sure you are registered if you need to be.
- End of tax year papers will be with you soon such as P60s, P11Ds, interest certificates etc - Please keep them safe for your 2015/16 tax return - despite HMRC stating there would be no more Self-Assessment Returns this has not yet been implemented.

I am happy to receive your information once you have everything collated.

That's all for now, please do get in touch if I can help with anything mentioned above, or if you have any comments or any other accounting or taxation queries.

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