



Hazel Cooch FCCA

Accounting and Tax Services

## Newsletter - July 2015

Hello and welcome to my latest mini newsletter.

### Summer budget

As predicted there was indeed a post-election budget. There were manifesto pledges in place not to change the main rates of income tax, NI and VAT, so as expected the main way chosen to "balance the books" were cuts in expenditure and benefits. I don't propose to go into everything here since, as always, it is well covered in the media. If you wish to read the full "Red book" it can be found at <https://www.gov.uk/government/publications/summer-budget-2015>

There are however a few points to draw your attention to:

- **The Personal allowance** is increasing by a bit more than previously stated from April 2016 with a rise of £400 to £11,000 and the higher rate threshold is also rising to £43,000.
- **Corporation Tax** rates are to be reduced to 19% in 2017 and 18% in 2020.
- **Minimum wage** is increasing to £7.20 from April 2016 which may affect you if you have employees. The cost is partially offset in some circumstances by raising the **NIC Employment Allowance** by £1,000 to £3,000. This allowance, however, will cease to be available to Companies where the director is the sole employee.
- **Landlords** are to have tax relief on any finance costs paid restricted to basic rate. The loss of higher rate relief will be phased in over 4 years from April 2017. Additionally from April 2016 they will also no longer be able to claim the 10% wear and tear allowance on furnished lettings - claims will be restricted to actual expenditure incurred. **Rent-a-room** relief is being increased from £4,250 to £7,500 tax free.
- **Dividends** - there were significant changes to the taxation of dividends. From April 2016 the dividend tax credit is to be removed and a new £5,000 tax free allowance will take effect. (The tax free status of dividends in ISAs and pensions remains.) This will be good for small investors with less than £5,000 in dividend income. It is less good for many who currently remunerate with large dividends rather than wages from their own companies. These people may well pay more tax than now and that is part of the governments policy to reduce tax motivated incorporation.
- **Pension contributions** - from April 2016 there will be a taper of the annual allowance for those with a total income over £150,000. The amount of contributions eligible for tax relief (including those paid by employers) will gradually be reduced down to a minimum of £10,000 pa.
- **Non domiciles** - There was a tightening of the qualifying rules mainly bringing those who have lived here for at least 15 of the last 20 years into the UK domiciled tax regime.

- **Inheritance tax** - the new relief for the family home will be phased in from April 2017 with a starting level of £100,000 per person. This is in addition to the current allowance of £325,000 (for any assets) but only applies to the family home being passed on to direct descendants ie children or grandchildren. Those with estates worth over £2million will however suffer a tapered withdrawal of this new additional nil-rate band.
- **Finally a warning note** - HMRC believe that the current intermediaries legislation (IR35) is not effective enough and costs over £400m a year in lost tax so they are going to take a further look at widening the scope of "IR35" which may affect people who work through companies where they would otherwise be employees.

## Other matters

### Self-assessment tax returns

End of tax year papers should now be with you such as P60s, P11Ds, interest certificates etc - Please keep them safe for your 2014/15 tax return. Although this does not have to be filed until 31 January 2016, I am happy to receive your information once you have everything collated.

Please note if you are employed and wish for any small underpayment to be collected via your PAYE tax code that your return must be submitted by 31 December.

### Auto enrolment

Whether you are an employer or employee you will probably have started hearing about auto enrolment for pensions. Many companies already have eligible pension schemes, but from April 2017, at the latest, even the smallest employer will have to offer a scheme to all staff over 22 years old earning over £10,000 pa. As an employer, do act on the letters being sent out by the government telling you what to do. If you are an employee you should generally be "opted in" so your employer contributes to your pension as well as the government adding in tax relief.

### Quick reminders

For those of you who pay twice yearly under self-assessment (generally, but not only, the self-employed) the next payment on account is due on or before 31 July 2015.

National Insurance for the self employed - Class 2 NI monthly direct debits are ceasing and the last one will be taken this month. C2NI will now be paid with the self-assessment installments.

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

I hope you have a good summer.

Email: [hazel@hac-accountant.co.uk](mailto:hazel@hac-accountant.co.uk)

Phone: 01628-471426

Mobile: 07939-590618

Web: [www.hac-accountant.co.uk](http://www.hac-accountant.co.uk)



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| • Self assessment returns | • VAT and payroll     |
| • Business accounts       | • Tax planning        |
| • Corporation tax returns | • HMRC investigations |