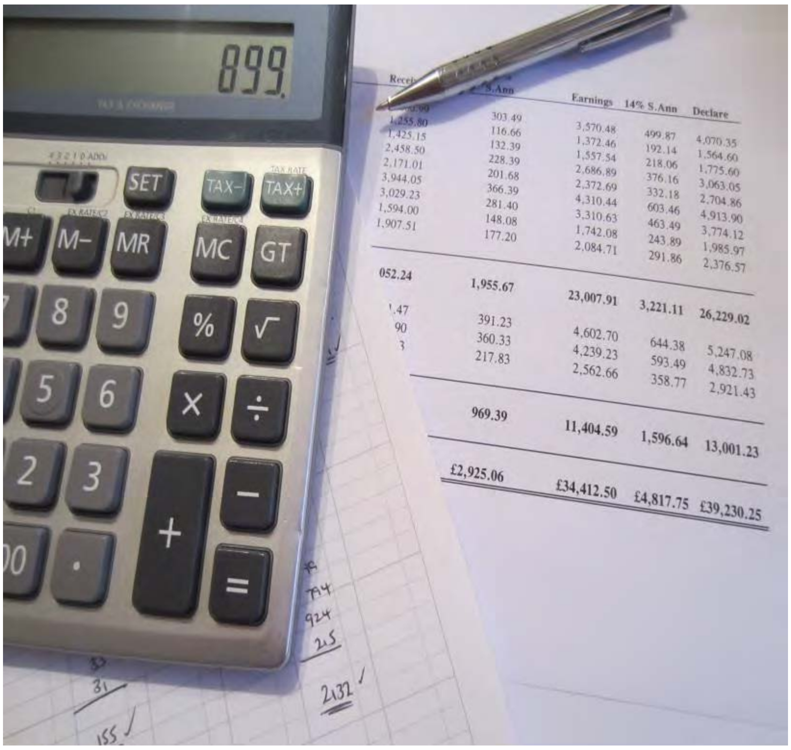
2015 NEWSLETTER

WILLIAMSON WEST
CHARTERED ACCOUNTANTS

This newsletter gives a brief outline of the tax changes, which includes those already announced as well as proposed future changes, which may be of interest to you and upon which we will be pleased to advise if further clarification is needed.



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Disclaimer
This newsletter is for guidance purposes only and provides only a short explanation of the legislation. Williamson West cannot accept any responsibility for any loss arising from any action taken or refrained from taking on the basis of these notes.

PERSONAL

INCOME TAX 2015/16

As announced in the Autumn Statement the basic personal allowance has been increased to £10,600 from 6th April 2015. This will increase further to £10,800 from 6th April 2016 and £11,000 from 6th April 2017.

Where an individual's income exceeds £100,000, the personal allowance is reduced by £1 for every £2 above the income limit. The personal allowance will therefore be reduced to nil where income exceeds £121,200. This will result in an effective rate of income tax on income between £100,000 and £121,200 of 60%.

The higher related personal allowance for those born before 6th April 1938 remains £10,660 for 2015/16.

Where income exceeds £27,700 in 2015/16 the age related personal allowance will gradually be withdrawn at the rate of £1 for every £2 until the allowance is reduced to the equivalent of the basic personal allowance of £10,600.

The higher personal allowance for those born before 6th April 1938 will no longer be available from 6th April 2016. This will mean that everyone will be entitled to the same personal allowance.

From 6th April 2015 for couples where neither spouse or civil partner is a higher rate taxpayer they will be able to transfer up to £1,060 of their personal allowance to the other person. Therefore, this will only be beneficial where the transferor is not able to use their personal allowance against taxable income and the recipient is a basic rate taxpayer. The maximum tax saving being £212.

The basic rate band will be reduced to £31,785 from 6th April 2015 and will be increased to £31,900 for 2016/17 and £32,300 for 2017/18.

Therefore, 40% tax will be payable where taxable income exceeds £42,385 from 6th April 2015. The 40% threshold increases to £42,700 from 2016/17 and £43,300 from 2017/18.

Basic rate tax remains 20% in 2015/16 on taxable income up to £31,785. Taxable income between £31,786 and £149,999 will be taxed at 40%. Taxable income exceeding £150,000 will be taxed at 45%.

Dividends will continue to be taxed at 10% where taxable income is within the basic rate band and 32.5% if taxable income is between the basic rate band and the additional rate band. The dividend additional rate will be 37.5% where taxable income exceeds £150,000.

For 2015/16 a nil tax band is applicable for individuals whose only taxable income above the personal allowance is from savings income. The rate covers the first £5,000 of savings income.

The rate of income tax for non-dividend income in a trust is 45% and the rate of tax for dividend income is 37.5%.

PERSONAL SAVINGS ALLOWANCE

It has been proposed that from 6th April 2016 a new personal savings allowance will be introduced so that the first £1,000 of savings income will be exempt from income tax for a basic rate taxpayer. For a higher rate taxpayer only the first £500 will be exempt. The personal savings allowance will not be available for individuals who are additional rate taxpayers.

APPROVED MILEAGE ALLOWANCE PAYMENTS

The tax-free mileage allowance is 45p per mile for mileage up to 10,000 miles per annum, with a lower rate of 25p for mileage exceeding 10,000 miles per annum.

Where an employer does not pay the full mileage allowance, a claim for tax relief for the additional amount can be made. However, where the employer pays in excess of the mileage allowance, the excess will be taxable.

Therefore, please bring to our attention any mileage allowance payments that are made by your employer.

CAP ON UNLIMITED TAX RELIEFS

Individuals will have a cap of 25% of income or £50,000, whichever is greater, and these will apply to certain income tax reliefs. These include trade and property loss reliefs and qualifying loan interest relief.

It will still be possible to carry forward unused trading or property losses.

NON-UK DOMICILES

Non-UK domiciled residents with foreign income are liable to tax on worldwide income and gains.

Where unremitted foreign income is over £2,000 a tax charge will apply as follows:

1. A flat rate charge of £30,000 will be payable by non-UK domiciled residents who have been resident in the UK for at least 7 out of the previous 9 tax years in order to use the remittance basis.

2. This is increased to £60,000 where non-UK domiciled residents have lived in the UK for 12 of the previous 14 tax years.

3. Where an individual has been UK resident for 17 of the previous 20 tax years the additional charge will be increased to £90,000.

However, a non-UK domiciled individual can decide not to use the remittance basis and not pay the flat rate tax charge. Instead they will be taxed on their worldwide income.

Capital gains tax will be payable on gains where a non-UK resident disposes of a UK residential property made on or after 6th April 2015.

Therefore, please bring to our attention if you are not domiciled in the UK so that further advice can be given.

LET PROPERTIES

The renewals basis is no longer available for Furnished Lettings. However, the Wear and Tear Allowance is still be available for fully furnished properties.

As a reminder the renewals basis has not been available for Unfurnished Lettings since 2005.

FURNISHED HOLIDAY LETTINGS

To qualify as a furnished holiday letting the accommodation must be in the UK or European Economic Area (EEA) and commercially let.

The following three conditions will also need to be met:

1. The accommodation is available for commercial letting as holiday accommodation to the public for at least 210 days, and

2. The accommodation is commercially let as holiday accommodation to the public for at least 105 days, and

3. The accommodation must not be let for periods of longer-term occupation for more than 155 days during the year.

Furnished holiday let trading losses can only be offset against future profits from the same business.

STUDENT LOANS

Repayment of Income Contingent Loans, are collected by HMRC and therefore need to be declared via the Self Assessment Tax Return.

The collection of student loan repayments via Self Assessment Tax Returns does not take into account the amount of the student loan outstanding. Therefore, it may be beneficial if the outstanding student loan is repaid early to avoid delays in the Student Loan Company repaying any overpaid loan.

Please bring to our attention if you have a student loan so that your Tax Return can be noted accordingly. If you have received a statement from the Student Loans Company Ltd, please forward this for the completion of your Tax Return.

TAX-FREE CHILDCARE

From Autumn 2015 a new system to support parents who incur childcare costs is to be introduced. The current employer supported childcare scheme will be phased out for new applicants from Autumn 2015.

The new scheme will be available to families where both parents are working and neither parent earns over £150,000 per annum and not already receiving support through Tax Credits or Universal Credit. This will also be available to self employed parents unlike the current scheme.

Support under the new scheme will be 20% of costs up to £10,000 per year for each child under the age of 12.

Further information can be found at:

www.gov.uk/government/consultations/tax-free-childcare

CHILD BENEFIT
There is a claw back of child benefit where one partner's adjusted net income is over £50,000. 1% of the child benefit will be recovered for every £100 of additional income above £50,000 until it is all recovered at an income level of £60,000.

Partners for this purpose include married couples, civil partners, unmarried couples and same-sex couples not in a civil partnership.

Please bring to our attention if you have disclaimed child benefit or whether you are still in receipt.

CAPITAL GAINS TAX
The capital gains tax annual exemption from April 2015 increases to £11,100.

The rate of capital gains tax is 18% where an individual is a basic rate income taxpayer. However, this rises to 28% where an individual falls into the higher rate income tax band.

Where disposals qualify for Entrepreneurs' Relief, gains will be taxable at 10% on the first £10 million in a lifetime.

Where possible, this still provides a planning opportunity to convert income into gains.

Entrepreneur's Relief will no longer be due on the disposal of personal assets from 18th March 2015 unless this is connected with a reduction of at least a 5% share in the partnership asset.

PRINCIPAL PRIVATE RESIDENCE
Where a property is sold and that property has been the principal private residence during the period of ownership the final period of ownership qualifying for exemption is 18 months.

However, there are exceptions and the final 36 month period will remain in force where an individual who is, or whose spouse or civil partner is a disabled person or a long term resident in a care home and neither own any other private residence.

INHERITANCE TAX
The inheritance tax nil rate band remains frozen at £325,000 until 2017/18. Any unused nil rate band is transferable to your spouse or civil partner.

The Government intends to review the use of deeds of variation for tax purposes because these allow the beneficiaries of a Will and the personal representatives of the deceased to jointly decide, within two years of a death, to distribute the assets in a different manner to that set out in the Will. This can lead to a reduction in the inheritance tax (IHT) due.

You may therefore wish to review provisions in your Will with your solicitor.

INVESTMENTS

PENSION RELIEF
The amount of pension contributions that benefit from tax relief is limited to an annual allowance of £40,000. The Annual Allowance charge is calculated differently depending on whether the pension scheme is a defined benefit or defined contribution scheme. Pension savings include both employee and employer contributions.

Where an individual does not have any earnings, pension contributions of £3,600 gross can still be made.

If a pension fund exceeds the Lifetime Allowance of £1.25 million for 2015/16 there could be a pension charge when the pension is taken. The Lifetime Allowance will reduce to £1 million from 2016/17 but will rise in line with inflation from 2018.

Individual Protection 2014 is available for those with pension savings valued at over £1.25 million on 5th April 2014. This will give a protected lifetime allowance equal to your pension rights on 5th April 2014, up to an overall maximum of £1.5 million.

Further savings into your pension scheme can still be made where Individual Protection has been granted, but any pension savings in excess of your protected Lifetime Allowance will be subject to a Lifetime Allowance charge.

Applications for Individual Protection 2014 must be received by HMRC no later than 5th April 2017.

Further Fixed Protection and Individual Protection regimes will be introduced when the Lifetime Allowance is reduced from 6th April 2016.

The rules are complex and are different depending on the scheme or schemes of which you may be a member and therefore it is important to review your total pension savings with your Independent Financial Advisor each year.

DEFINED CONTRIBUTION PENSION SCHEMES

From April 2015 it will no longer be necessary to purchase an annuity. This will therefore allow an individual to use their defined contribution pension savings as they wish.

An individual will still be able take 25% of their pension fund as a tax-free lump sum and then either drawdown the pension fund as income, which will be taxed at the individual's marginal rate, or purchase an annuity.

Therefore, if you have a Defined Contribution Pension Scheme (Personal Pension) you may wish to discuss the options available to you with your Independent Financial Advisor.

ANNUITY FLEXIBILITY

From April 2016 individuals who are already in receipt of an annuity will be able to sell the income to a third party in exchange for a lump sum. Income tax will be chargeable at the individual's marginal rate.

PREMIUM BONDS

The maximum holding is £40,000 and this will be increased to £50,000 in 2015/16.

INDIVIDUAL SAVINGS ACCOUNTS

The annual investment limit for Individual Savings Account (ISA's) is £15,240 from 6th April 2015.

An investor can invest in any combination of cash or shares up to a total of £15,240. Individuals can open one cash ISA and one stocks and shares ISA each year. The whole investment can be in cash or stocks and shares or a mixture of both.

Regulations will be introduced in Autumn 2015 to enable an investor to withdraw money from his / her cash ISA and pay it back in without counting towards the annual limit of £15,240.

The annual limit for a Junior Individual Savings Account (Junior ISA) is £4,080 from April 2015.

HELP TO BUY ISA

From Autumn 2015 a new Help to Buy ISA will be introduced for first time buyers and will be available for four years. Savers will be able to make an initial deposit of £1,000 and a monthly saving of up to £200 per month. For every £200 saved the Government will provide a bonus of £50 up to a maximum of £3,000.

The bonus will be available on UK home purchases of up to £450,000 in London and up to £250,000 outside London.

BUSINESS

CORPORATION TAX

The main rate of corporation tax from April 2015 (FY 2015) will be 20%.

NATIONAL INSURANCE CONTRIBUTIONS

The lower earnings limit for Class 1 National Insurance contributions has been increased by £1 to £112 per week.

Class 1 National Insurance contributions are only payable where earnings exceed £155 per week. The rate of Class 1 National Insurance contributions is 12% on earnings between £155 and £815 per week plus 2% on all earnings above £815 per week.

It has been confirmed that employers' National Insurance contributions will not be payable from 6th April 2015 where an employee is aged under 21 and earns less than £42,385 a year (£815 per week). Employers will pay Class 1 National Insurance contributions as usual on earnings over the new Upper Secondary Threshold (UST).

Class 2 National Insurance contributions from 6th April 2015 have increased to £2.80 per week.

From April 2015 the collection of Class 2 National Insurance contributions will be through the self assessment system.

It has been proposed that Class 2 National Insurance contributions will be abolished in the next Parliament.

Class 4 National Insurance contributions are payable at 9% on profits between £8,061 and £42,385. The additional rate of 2% is payable on all profits above £42,385.

CAPITAL ALLOWANCES

The 'Annual Investment Allowance' is £500,000 and will be effective until 31st December 2015. This will be reduced back to £25,000 from 1st January 2016. However, the reduced limit of £25,000 may be increased and this will be addressed in the Autumn Statement 2015.

There are complex transitional rules where an accounting period spans the operative date.

Therefore, please contact us in advance if you are considering a major investment in your business.

The 'Annual Investment Allowance' is not available on the purchase of cars.

Capital allowances on cars depend on the CO_2 emissions and where the CO_2 emissions are above 130g/km these will attract an 8% writing down allowance and expenditure on cars with CO_2 emissions between 75g/km and 130g/km will attract an 18% writing down allowance.

Cars with private use will remain in single asset pools and will be subject to the appropriate rate of writing down allowance according to their emissions.

The 100% first-year allowance on the expenditure on low emission motor cars has been extended to 31st March 2018. The CO_2 emissions should also be no more than 75g/km.

Capital allowances are not available on cars that are leased.

A 100% First Year Allowance is available to a business of any size on their investments in designated energy-saving plant and machinery. Such equipment is designated in prescribed lists and can be found at:

www.etl.decc.gov.uk

CHOICE OF RETIREMENT DATE

The need to review any potential leaving or retirement date from a partnership or private practice where the accounting date is not 31st March or 5th April is quite important and each case needs to be assessed individually.

Therefore, please contact us in advance if you are intending to leave your practice or retire and your accounting date is not 31st March or 5th April. We will then be able to review your tax position and advise accordingly.

VAT AND STAMP DUTY

VAT

The normal standard rate of VAT is 20%.

Charges made by Health Professionals are VATable if the primary purpose of the service is not the protection, maintenance or restoration of the health of the person concerned or are outside of the profession in which you are registered or are otherwise specifically exempted or outside the scope of VAT. The detailed guidance is set out in VAT Notice 701/57 Health Professionals.

Your responsibility is to keep a monthly record relating to all your income that is not exempt from VAT. Each month you will be required to calculate the accumulated total and as soon as this exceeds £82,000 over the preceding twelve months, you have only one month's grace in which to deal with VAT registration. After that one month's grace, you will need to start adding VAT charges to relevant invoices and account for this to HMRC.

The de-registration threshold has been increased to £80,000.

STAMP DUTY LAND TAX
The rates of Stamp Duty Land Tax charged on purchases of residential property are as follows:

Nil on the first £125,000 of the property price
2% on the next £125,000
5% on the next £675,000
10% on the next £575,000
12% on the rest (above £1.5 million)

There is a charge of 15% on transfers of residential property worth over £500,000 into a company, which is usually registered offshore.

ADMINISTRATION AND HMRC

WORKPLACE PENSIONS
There is now a legal requirement for all employers to provide a qualifying workplace pension scheme for all employees earning over £10,000 per annum and are aged between 22 and the state pension age.

The employer will have to offer auto enrolment to all eligible staff and it will be the employee's choice to opt out of the scheme.

Full details can be found at:

www.thepensionsregulator.gov.uk

DIGITAL TAX ACCOUNTS
Plans have been set out by the Government to introduce Digital Tax Accounts which it is hoped will, in time, remove the need for individuals and small businesses to submit annual Tax Returns.

HMRC already receives information from third parties confirming PAYE details and investment income and therefore this will reduce the need for taxpayers to re-supply the same information.

Individuals and small businesses will be able to upload details of income and gains not already held by HMRC. Businesses will be able to feed data from their business accounting software directly into their digital tax account with the aim that these digital accounts will replace the need to file annual Tax Returns.

It is hoped that the Digital Tax Accounts will be introduced from 2016, with every individual and small business having one by 2020.

SELF ASSESSMENT FILING DEADLINES
There are two deadlines for the submission of Tax Returns. The first deadline is 31st October following the end of the tax year where the Tax Return being submitted is a paper version. The second deadline remains 31st January following the end of the tax year for Tax Returns submitted electronically. **Penalties are no longer reduced even if you have no tax to pay or by paying the tax on time.**

Penalties for sending your Tax Return late are as follows:

Length of Delay	Penalty
One Day	Initial £100, plus
Three Months	£10 for each day up to a maximum of £900, plus
Six Months	£300 or 5% of the tax due, whichever is the higher, plus
Twelve Months	£300 or 5% of the tax due, whichever is the higher. In serious cases up to 100% of the tax due.

The deadlines and penalties above also apply to each partner in a partnership.

PENALTIES FOR PAYING TAX LATE
The following penalties apply for outstanding balances and do not apply to payments on account.

Length of Delay	Penalty
30 Days Late	5% of the tax owed at that date.
6 Months Late	5% of the tax owed at that date plus the 5% above.
12 Months Late	5% of the tax unpaid at that date plus the two 5% penalties above.

PENALTIES

A single penalty regime applies for incorrect returns across all the taxes, levies and duties administered by HMRC. The penalty will be determined by the amount of tax understated, the nature of the behaviour giving rise to the understatement and the extent of disclosure by the taxpayer. The penalties are as follows:

Behaviour	Rate of Penalty
Failure to notify / other failures	30%
Deliberate failure	70%
Deliberate and concealed	100%

The penalties can be reduced for omissions other than deliberate and will work in two stages depending upon the time that has elapsed since the failure occurred. These are as follows:

Original penalty	Revised Penalty Unprompted	Prompted
30% : within 12 months	0%	10%
30% : after 12 months	10%	20%
70%	20%	35%
100%	30%	50%

CORRESPONDENCE FROM HMRC

Agents no longer automatically receive copies of correspondence that HMRC have sent to the taxpayer. This may include PAYE Coding Notice's and tax calculations. We should therefore be grateful if you would forward copies to ourselves so that we can ensure our records are kept up to date and any problems can be sorted out as soon as possible.

MISCELLANEOUS

TYPE 2 MEDICAL PRACTITIONERS CERTIFICATES

All salaried General Medical Practitioners and Locums with additional NHS earnings are required to complete a Type 2 Medical Practitioners Certificate.

The Type 2 certificate summarises the pensionable earnings as a Medical Practitioner for the year to ensure that the correct superannuation contributions on the level of pensionable earnings have been paid.

MATERNITY ALLOWANCE

Maternity allowance is available where you are not entitled to receive Statutory Maternity Pay, namely self employed.

Maternity allowance pays a standard weekly rate of £139.58 or 90% of your average assessed earnings, whichever is the lower.

The benefit is payable for 39 weeks starting at any time from the 11th week before the baby is due until the week after the baby is born.

To obtain the appropriate claim form (Form MA1), you will need to contact your local Jobcentre Plus. This can also be downloaded from:

www.gov.uk/maternity-allowance

For more information you should contact the Department for Work and Pensions.

SPAM E-MAILS

Spam e-mails from fraudsters purporting to be from HM Revenue and Customs (HMRC) offering a tax rebate are being sent. E-mails are also being sent from fraudsters purporting to be from high street banks and organizations from overseas.

If you get any of these scam messages, the advice is simple: do not open them. If you open one by mistake, do not click on the link, open any attachments or disclose any personal details as you risk having your identity stolen.

HMRC never notifies taxpayers of a refund via email, nor does it ask them to complete an online form to request money back.

FINALLY

This newsletter deals with a number of topics which, it is hoped, will be of general interest. However, it is impossible to mention all the points which may be relevant in individual cases, so please do not hesitate to contact us should you have any queries on the above or any other matter.