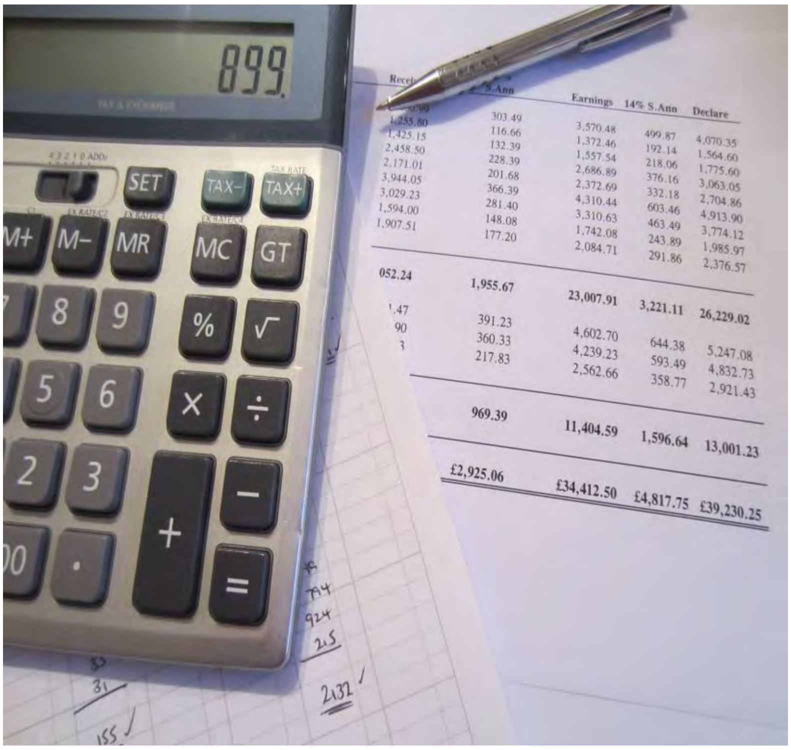
WILLIAMSON WEST
CHARTERED ACCOUNTANTS

2016 NEWSLETTER

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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PERSONAL

INCOME TAX

The basic personal allowance has been increased to £11,000 from 6th April 2016. This will increase further to £11,500 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 £122,000 in 2016/17. This will result in an effective rate of income tax on income between £100,000 and £122,000 of 60%.

There is no longer a higher related personal allowance for those born before 6th April 1938.

For married couples and civil partners where neither spouse is a higher rate taxpayer they will be able to transfer up to £1,100 of their personal allowance to the other person from 6th April 2016. 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 relief is given at 10% with the maximum tax saving being £220. The personal allowance that can be transferred will increase to £1,150 from 6th April 2017.

The basic rate band from 6th April 2016 will be £32,000 and this will be increased to £33,500 in 2017/18.

Therefore, 40% tax will be payable where taxable income exceeds £43,000 from 6th April 2016. The 40% threshold increases to £45,000 in 2017/18.

Basic rate tax remains 20% in 2016/17 on taxable income up to £32,000. Taxable income between £32,001 and £149,999 will be taxed at 40%. Taxable income exceeding £150,000 will be taxed at 45%.

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 in 2016/17.

The rate of income tax for non-dividend income in a trust is 45% and the rate of tax for dividend income is 38.1% in 2016/17.

Savings and Investments

A new Personal Savings Allowance has been introduced from 6th April 2016. 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. There is no Personal Savings Allowance for taxpayers with taxable income above £150,000.

The Personal Savings Allowance will not be available for individuals who are additional rate taxpayers.

The new Personal Savings Allowance will be in addition to the £5,000 zero rate for individuals whose only taxable income above the personal allowance is from savings income

From 6th April 2016 interest from bank, building societies and National Savings will be paid gross without the deduction of basic rate tax.

A new Dividend Allowance of £5,000 has been introduced from 6th April 2016 and therefore the first £5,000 of dividends will attract a zero rate of income tax. Dividends in excess of the £5,000 allowance will be taxed as follows:

- 7.5% on dividends within the basic rate band.
- 32.5% on dividends within the higher rate band.
- 38.1% on dividends above the higher rate limit.

With the introduction of the Dividend Allowance, the dividend tax credit has been abolished.

Property and Trading Allowance

The Government have announced that from 6th April 2017 there will be no requirement to register with HMRC where trading or property income is below £1,000.

Where the property or trading income exceeds the £1,000 allowance, the individual will have the choice of deducting the allowance in calculating their taxable profits or calculating their taxable profit by deducting their expenses in the usual way.

NON-UK DOMICILES

Non-UK domiciled individuals will not pay UK tax on their foreign income or gains if both:

- They're less than £2,000 in the tax year, and
- You don't bring them into the UK, for example transfer them to a UK bank account.

If this applies to you, you don't need to do anything.

However, where unremitted foreign income is over £2,000 a tax charge will apply. You can either:

- Pay UK tax on your worldwide income, or
- Claim the 'remittance basis'

The remittance basis means you only pay UK tax on your worldwide income or gains you bring into the UK. However you:

- Lose your personal allowance and your capital gains tax annual allowance.
- Pay an annual charge of £30,000 if you've been resident in the UK for at least 7 of the previous 9 tax years, but this will rise to £50,000 if you have been resident in the UK for 12 of the previous 14 tax years.

Changes to the taxation of non-UK domiciled individuals will be introduced from 6th April 2017.

- Those who have been resident in the UK for 15 of the past 20 years will be deemed to be UK domiciled for all UK tax purposes.
- Individuals who were born in the UK with a domicile of origin but have subsequently acquired a non-UK domicile of choice will be deemed to be UK domiciled for tax purposes whenever they are resident in the UK.
- All UK residential property will be within the charge to UK inheritance tax whether the property is held directly or indirectly by a non-UK domiciled individual.

Capital gains tax will be payable on gains where a non-UK resident disposes of a UK residential property.

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

LET PROPERTIES

The Wear and Tear Allowance will no longer be available for Furnished Lettings after 6th April 2016. However, the cost of replacing furnishings, appliances and kitchenware will be allowable.

The cost of replacing furnishings, appliances and kitchenware will not be available for Furnished Holiday Lettings or if a property is the subject to rent-a-room relief.

Rent-a-room relief is £7,500 per property from 6th April 2016 and is shared where the property is jointly owned.

Interest on loans taken out for the use in an individual's property letting business will no longer be an allowable deduction against rental income from 2020/21. Instead there will be a basic rate reduction for the loan interest from their income tax liability. For higher rate or additional rate taxpayers this will probably result in a higher tax liability.

This is being introduced gradually from 6th April 2017 and will be introduced as follows:

- In 2017/18 the loan interest will be restricted to 75% of the loan interest paid and this will be deducted from rental income in the usual way. The remaining 25% loan interest will be available as a basic rate deduction, which is currently 20%.
- In 2018/19, 50% of the loan interest will be available as a deduction against rental income. The remaining 50% will be given as a basic rate tax reduction.
- In 2019/20, 25% of the loan interest will be available as a deduction against rental income. The remaining 75% will be given as a basic rate tax reduction.
- From 2020/21 all loan interest incurred by a landlord will be given as a basic rate tax reduction.

No relief is available for capital repayments of a mortgage or loan.

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 total of all lettings that exceed 31 continuous days is not more than 155 days during the year.

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

TAX-FREE CHILDCARE

From early 2017 a new system to support parents who incur childcare costs is to be introduced. This will replace the existing Childcare Voucher Scheme.

The new scheme will be available to families where both parents are working and neither parent earns over £100,000 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 the annual childcare costs up to £10,000 for each child under the age of 12, equivalent of up to £2,000 support per child per year. Support will increase to £4,000 per child per year for children with disabilities up to the age of 17.

CHILD BENEFIT

The claw back of child benefit remains 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.

STUDENT LOANS

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

There are two ways to avoid the over repayment of a student loan. These are:

- Repaying the outstanding student loan early to avoid delays in the Student Loan Company repaying any overpaid loan, or

- Submitting your Self Assessment Tax Return to HMRC before 1st November following the end of the tax year to allow HMRC to contact the Student Loan Company to verify the outstanding balance.

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.

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.

APPROVED MILEAGE ALLOWANCE PAYMENTS

The tax-free mileage allowance remains at 45p per mile for mileage up to 10,000 miles per annum, with the lower rate remaining at 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.

CAPITAL GAINS TAX

The capital gains tax annual exemption from April 2016 remains £11,100.

The rate of capital gains tax has been reduced for disposals after 6th April 2016. For basic rate taxpayers the rate reduces from 18% to 10%. Higher rate taxpayers will see the capital gains tax rate reduce from 28% to 20%.

The 28% capital gains tax rate for higher rate taxpayer and 18% capital gains tax rate for basic rate taxpayers will continue to apply for chargeable gains on residential property that do not qualify for private residence relief.

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

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. Any unused nil rate band is transferable to your spouse or civil partner.

A further inheritance tax nil rate band will be introduced with effect from 6th April 2017 where individuals wish to pass their main residence is passed to one or more direct descendants. This will be tapered at £1 for every £2 that an estate exceeds £2 million in value.

The further inheritance tax nil rate band is being phased in as follows:

- £100,000 for 2017/18
- £125,000 for 2018/19
- £150,000 for 2019/20
- £175,000 for 2020/21

There will be no inheritance tax payable on undrawn pension funds that have been designated for drawdown.

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.

With effect from 6th April 2016 the Annual Allowance will be reduced by £1 for every £2 that an individual's income exceeds £150,000 until the Annual Allowance reaches £10,000.

Where a pension fund exceeds the Lifetime Allowance the excess fund could be liable to a tax charge of 55%. The Lifetime Allowance has been reduced to £1 million from 2016/17,

The Lifetime Allowance will rise in line with inflation from 2018.

An individual will be able to apply for Fixed Protection 2016 so that they are able to keep the £1.25 million limit. However, no further contributions are allowed after 5th April 2016.

Alternatively, Individual Protection 2016 will be available if the pension fund exceeds £1 million at 5th April 2016. The value will be protected and further contributions can be made.

Individual Protection 2014 is still 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.

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

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

In recognition of the number of pensions an individual may acquire over their working lifetime, the Government have announced the introduction of a Pensions Dashboard whereby an individual can view all their retirement savings in one place. It is proposed that this will be in place by 2019.

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

It is no longer necessary to purchase an annuity where an individual has a Defined Contribution Pension Scheme. This will 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.

INDIVIDUAL SAVINGS ACCOUNTS

The annual investment limit for Individual Savings Account (ISA's) is £15,240. This will increase to £20,000 from 6th April 2017.

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.

The annual limit for a Junior Individual Savings Account (Junior ISA) remains £4,080.

The government are introducing measures to allow ISA's to retain their tax advantaged status in the estate of the deceased account holder.

Lifetime ISA

A new Lifetime ISA for those between 18 and 40 will be available from 6th April 2017. If you'll reach 40 on or before 6 April 2017 you will not be eligible for a Lifetime ISA

Individuals can save up to £4,000 each year and the government will give a bonus of £1 for every £4 saved up to a maximum of £1,000.

The bonus will be paid when the funds are withdrawn to buy a first home, after the account has been open for 12 months, or withdrawn from the age of 60.

Help to Buy ISA

The Help to Buy ISA will run alongside the Lifetime ISA and will be available until December 2019.

For every £200 saved the Government will provide a bonus of £50 up to a maximum of £3,000. The bonus will be payable providing the Help to Buy ISA is used as a deposit to buy a first home by 2030.

The bonus for both the Help to Buy ISA and Lifetime ISA 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 1st April 2016 (FY 2016) will be 20%.

The corporation tax rate will be 19% from 1st April 2017 (FY 2017), 1st April 2018 (FY 2018) and 1st April 2019 (FY 2019).

The Government have announced that the corporation tax rate will be reduced to 17% from 1st April 2020 (FY 2020).

NATIONAL INSURANCE CONTRIBUTIONS

The lower earnings limit for Class 1 National Insurance contributions remains at £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 £827 per week plus 2% on all earnings above £827 per week.

Following the introduction of the new State Pension from 6th April 2016, the reduced (contracted-out) rate of Class 1 (Table D) National Insurance contributions for individuals contracted out has been abolished. Therefore, employers' Class 1 National Insurance contributions will increase by 3.4% and employees' Class 1 National Insurance contributions will increase by 1.4% where relevant earnings are between the Primary Threshold of £153 a week and the Upper Accrual Point of £770 a week. (The same rate as Table A contributions)

The collection of Class 2 National Insurance contributions will be through the Self Assessment system from April 2016. It has been confirmed that Class 2 National Insurance contributions will be abolished from April 2018.

Class 4 National Insurance contributions are payable at 9% on profits between £8,061 and £43,000. The additional rate of 2% is payable on all profits above £43,000.

CAPITAL ALLOWANCES

The 'Annual Investment Allowance' is £500,000 and will be effective until 31st December 2015. This was reduced to £200,000 from 1st January 2016.

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. This will reduce to 110g/km from April 2018.

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 by a further three years to April 2021. The CO_2 emissions should be below 75g/km for 2016/17. This reduces to 50g/km from April 2018.

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:

https://www.gov.uk/etl

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.

TERMINATION PAYMENTS

Termination payments in excess of the £30,000 exemption will be subject to employer's National Insurance contributions from April 2018.

STATUTORY EXEMPTION FOR TRIVIAL BENEFITS IN KIND

A statutory exemption is to be introduced from 6th April 2016 to treat small benefits to employees as trivial. These benefits will then be exempt from income tax and Class 1A National Insurance contributions and will not need to be reported to HMRC.

The benefit must not be cash or a cash voucher and the cost of providing it must not exceed £50 per employee per benefit. The trivial benefit must also be given for a non-work reason, for example a birthday or flowers on the birth of a new baby.

EMPLOYMENT ALLOWANCE

From 6th April 2016 the National Insurance contributions employment allowance will increase by £1,000 to £3,000.

It is also being withdrawn from single person companies.

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 £83,000 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 £81,000.

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, if it is usually registered offshore.

A 3% surcharge has been introduced from 1st April 2016 on the purchase of additional residential property

ADMINISTRATION AND HMRC

WORKPLACE PENSIONS

Employers must automatically enrol employees earning over £10,000 per annum, are aged between 22 and the state pension age and work in the UK.

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.

The Digital Tax Accounts will be introduced from 2018, with businesses and landlords updating HMRC quarterly.

Further details are expected later in 2016.

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.

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 not 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	Revised Penalty	
penalty	Unprompted	Prompted
30% : within 12 months	0%	10%
30% : after 12 months	10%	20%
70%	20%	35%
100%	30%	50%

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 weekly 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.

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/overview

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 still 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, 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.