

All of Your Tax Rates, Reliefs & Business Figures in One Handy Card

PRACTICE NEWS

Following on from the Chancellor's announcements in the 2015 Budget, we have created an 8-page tax card and a budget booklet which summarise all of the key changes. We hope that this will be a useful point of reference as the figures are fundamental to our business and personal lives.

Long term planning for a comfortable retirement can never start too early. Our tax card explains how much can be contributed to an approved pension scheme each year tax efficiently.

If you would like a copy of our tax card or budget booklet please contact Alan Boby at aboby@ellacotts.co.uk, Morag Matthews at mmathews@ellacotts.co.uk or Malcolm Smith at msmith@ellacottswalth.co.uk

Goodbye tax returns, hello digital accounts

INCOME TAX

In an effort to streamline and simplify the administration of the Self Assessment tax system, HMRC is planning to introduce digital accounts for fifty million taxpayers by 2020. When completed, taxpayers will no longer be required to submit Self Assessment tax returns to HMRC.

Instead, HMRC will gather information from employers, pension providers, banks and building societies, and automatically post data regarding salaries, benefits, pensions and investment income to the digital accounts.

It is still not clear how information regarding property income, capital gains, business profits and other chargeable income or gains will be gathered by HMRC, although it has been mooted that it will be possible to link business accounting software with the digital accounts by 2020.

This is a radical shift from the present "gathering and filing" processes that presently places the responsibility for the make-up and lodgement of Self Assessment data on the taxpayer. In some respects it harks back to the days prior to Self Assessment when HMRC used to issue assessments to taxpayers, who were then obliged to check the numbers.

Information published so far by HMRC indicates that:

- Taxpayers, and their agents, will be able to access their digital accounts to make real time changes to data and pay their tax.
- Fifteen million taxpayers will be set up with digital accounts as early as 2016 with the remainder given access to their digital accounts by 2020.

More details are needed in order to assess the impact of these changes and HMRC have advised they will publish this later this year.

It will be interesting to see how the change will impact associated issues such as late filing penalties. Hopefully, HMRC will abandon these charges for taxpayers where little or no tax is due.

The Government will also need to consider digital exclusion: how are they going to accommodate taxpayers who cannot easily access the internet for various reasons?

Savings boost

INCOME TAX

There were a number of changes to promote savings in the Budget. The main changes are set out below:

Help to Buy ISA

From autumn 2015, a new ISA is being launched that will enable first time buyers to save for their deposit. An initial deposit of £1,000 is allowed with additional monthly savings of up to £200.

The Government will top up these savings by 25% up to a maximum of £3,000 (when deposits by the saver reach £12,000).

The bonus can only be put towards a first time buy of up to £450,000 in London or £250,000 elsewhere.

ISA flexibility

From autumn 2015, ISA savers will be able to withdraw and replace money from their ISAs without using up their ISA subscription limit.

Personal savings allowance

From April 2016, basic rate taxpayers will not have to pay tax on the first £1,000 of interest received on savings, and higher rate (40%) taxpayers will not have to pay tax on the first £500 of interest received. The allowance will not be available to additional rate (45%) income taxpayers.

Premium Bonds investment limit

This limit is increased from £30,000 to £50,000 on 1 June 2015.

Significant increase in NMW from October 2015

PAYROLL

The National Minimum Wage rates from 1 October 2015, as recommended by the Low Pay Commission (LPC) will be:

- a 20p (3%) increase in the adult rate (from £6.50 to £6.70 per hour)
- a 17p (3%) increase in the rate for 18 to 20 year olds (from £5.13 to £5.30 per hour)
- an 8p (2%) increase in the rate for 16 to 17 year olds (from £3.79 to £3.87 per hour)

The National Minimum Wage rate for apprentices will increase by 57p (20%) from £2.73 to £3.30 per hour. The LPC recommended an increase of 2.6% to £2.80 in the apprentice rate.

The Government is also putting employers in control of the funding for apprenticeships by introducing a new digital apprenticeship voucher. Vouchers can be used to reduce or eliminate training costs with appropriate providers.

Apprenticeship vouchers will further simplify things for employers and give them the purchasing power to fund apprenticeship training.

The employer would register their details on a system being developed by the Skills Funding Agency including their type of business, the details of the apprentice and the apprenticeship standard being signed up to. The discounted rate, which could be up to 100% for 16 to 18 year olds, at which employers can purchase training, would be calculated and the employer would be able to pass on the voucher code to the provider that is delivering the training. The provider would then reclaim the value of the voucher from the Skills Funding Agency.

Pension's flexibility a word of caution

PENSION

The new flexibility, that certain pension pot holders can avail themselves from 6 April 2015, offers more opportunity regarding the funds they have saved. Once you reach minimum pension age, normally 55, you will be able to:

- Leave your pension fund invested, no change.
- Enter drawdown, thereby taking some of your money whilst leaving the rest where it is.
- Withdraw cash in one or a number of lump sums.
- Purchase an annuity.
- Go with a combination of all of the above.
- Or take your entire pension pot in one go.

Additionally, from April 2016, people who already have an annuity will be able to effectively sell it on, so that they too can benefit from the pension freedoms announced at last year's Budget.

Currently, people who have bought an annuity are unable to sell it without having to pay at least 55% tax on the proceeds of the sale. From April 2016, the tax rules will change so that people who already have income from an annuity can sell that when they choose and will pay their usual rate of tax they pay on income, instead of 55%.

With so many options to choose from, and a variety of tax traps to avoid, there has never been a more compelling time to seek professional advice BEFORE you make any decisions.

Tax Diary April/May 2015

GENERAL

1 April 2015 - Due date for Corporation Tax due for the year ended 30 June 2014.

19 April 2015 - PAYE and NIC deductions due for month ended 5 April 2015. (If you pay your tax electronically the due date is 22 April 2015.)

19 April 2015 - Filing deadline for the CIS300 monthly return for the month ended 5 April 2015.

19 April 2015 - CIS tax deducted for the month ended 5 April 2015 is payable by today.

1 May 2015 - Due date for Corporation Tax due for the year ended 31 July 2014.

19 May 2015 - PAYE and NIC deductions due for month ended 5 May 2015. (If you pay your tax electronically the due date is 22 May 2015.)

19 May 2015 - Filing deadline for the CIS300 monthly return for the month ended 5 May 2015.

19 May 2015 - CIS tax deducted for the month ended 5 May 2015 is payable by today.

31 May 2015 - Ensure all employees have been given their P60s for the 2014-15 tax year.