

This month's newsletter includes the following articles: the introduction of the right to rent obligations, Capital Gains Tax planning, tax payments due 31 January 2016 and the introduction of the National Living Wage later this year.

### **Right to rent**

On 1 February 2016, the responsibility for ensuring that tenants have a right to live in the UK was passed from the Home Office to landlords, the so-called right to rent checks.

The following guidance pointers were issued by the Home Office:

There are four basic steps.

1. Find out who will live in property
2. Check that these people have the correct documentation to stay in the UK
3. Retain a copy of the documents and record the steps you took to check them
4. Keep the copies throughout the tenancy period and for at least one year afterwards

Unless you follow these procedures, and if an illegal immigrant is found living in your property, there is a possibility that you will be liable to a civil penalty of up to £3,000.

Landlords letting certain exempt properties will not be affected by the right to rent regulations. These include:

- Accommodation arranged by local authorities or NHS bodies
- Care homes, hospitals and hospices
- Social housing, including private properties let to social tenants
- Hostels and refuges
- Tied accommodation
- Student accommodation
- Long leases

As a landlord, you can soften the impact of these regulations by asking any agents that manage or let your property to carry out the checks for them. You should have this agreement in writing.

If a tenant sub-lets the property without you knowing, they are responsible for carrying out checks on any sub-tenants. They will be liable for any civil penalties if they don't do the check correctly.

## Capital Gains Tax (CGT) planning

Most of our readers will be aware that they can make chargeable gains of up to £11,100 in the tax year 2015-16 and pay no CGT. This exemption cannot be transferred to a future tax year or carried back to a previous tax year if it is not utilised.

Many will also remember that it is no longer feasible to sell shares before 6 April 2016 in order to crystallise a CGT loss or a gain that is covered by the above exemption, if those shares, or part of them, are reacquired within 30 days of the disposal. However, it is still possible to reacquire holdings, within the 30 days period, if you use an ISA or self invested personal pension (SIPP) to make the buy-back.

Transfers of chargeable assets for CGT purposes are exempt between spouses and civil partners. Also, the annual exemption is available to both parties. This combination means that couples may be able to share the gain on a disposal of assets and reduce their overall CGT charge.

This strategy, of transferring partial ownership to a spouse, can also reduce an overall CGT charge if the transferring partner/spouse is due to pay CGT at the higher 28% rate (as their gains fall to be taxed in the higher rate tax band) and the receiving partner/spouse would only be liable to pay CGT at 18% (as their share of a transferred gain would fall into their free basic rate band).

And don't forget, CGT is assessed and payable as part of your Self Assessment. Any tax payable for 2015-16 will be due for payment 31 January 2017. On the same day you will also have to pay any other underpayment of Income Tax for 2015-16 and your first payment on account for 2016-17.

If you own assets that are subject to CGT on disposal, and you, and possibly your spouse, are struggling to fully utilise your CGT annual exemption, or you would like to discuss ways to minimise any CGT payable, please call to discuss your options.

## National Living Wage (NLW)

From April 2016, all workers aged 25 or over must be paid the new NLW of £7.20 per hour.

This compares with the current National Minimum Wage (NMW) for this age group of £6.70 per hour.

Workers aged less than 25 years must continue to be paid the NMW. The current rates are:

- Apprentices £3.30 per hour
- Under 18s £3.87 per hour
- 18 – 20 £5.30 per hour
- 21 - 24 £6.70 per hour

Above age 24 the new NLW rate must be applied.

For employers with significant numbers of aged over 24 workers this will represent a 7.5% increase in the cost of labour. Contrast this with a reported annual increase in real wages of 2.7% in April 2015.

HM Treasury have created a National Living Wage website that sets out employers' responsibilities in more detail:

<https://www.livingwage.gov.uk/?gclid=CKal1fHStcoCFSElwwodG5oBfQ>

### Tax payments due 31 January 2016

As implied in the CGT planning article above, the 31 January 2016 was not only the deadline for filing your Self Assessment return online, it was also the date when any underpayment of Income Tax, Class 4 NIC and CGT for 2014-15 fell due for payment, together with your first payment on account for 2015-16.

If you made your payment on time there is no need to read the rest of this article. If you didn't, and your payments remain outstanding, read on...

- Interest will be charged at 3%, plus potential penalties as follows:
- If your tax is still unpaid by midnight 2 March 2016 you will be charged a penalty amounting to 5% of the tax unpaid
- If your tax is still unpaid by midnight 1 August 2016 you will be charged a further penalty amounting to 5% of the tax unpaid
- If your tax is still unpaid by midnight 1 February 2017 you will be charged an additional penalty amounting to 5% of the tax unpaid.

These penalties apply to the balance owing for 2014-15 and can be increased to 100% of your tax bill if you deliberately don't pay it.

Of course, you might not get the later penalties – HMRC may have sent round the bailiffs!

So, taxpayers who are financially stretched, and will be paying their tax late, would be advised to call HMRC and agree an affordable payment plan. In that way, they should be able to avoid penalties if they keep up with agreed repayments.

### **Tax Diary February/March 2016**

1 February 2016 - Due date for Corporation Tax payable for the year ended 30 April 2015.

19 February 2016 - PAYE and NIC deductions due for month ended 5 February 2016. (If you pay your tax electronically the due date is 22 February 2016)

19 February 2016 - Filing deadline for the CIS300 monthly return for the month ended 5 February 2016.

19 February 2016 - CIS tax deducted for the month ended 5 February 2016 is payable by today.

1 March 2016 - Due date for Corporation Tax due for the year ended 31 May 2015.

2 March 2016 – Self Assessment tax for 2014/15 paid after this date will incur a 5% surcharge.

19 March 2016 - PAYE and NIC deductions due for month ended 5 March 2016. (If you pay your tax electronically the due date is 22 March 2016)

19 March 2016 - Filing deadline for the CIS300 monthly return for the month ended 5 March 2016.

19 March 2016 - CIS tax deducted for the month ended 5 March 2016 is payable by today.