

Pension freedoms

PRACTICE NEWS

Much has been said about the new pension freedoms that the Government introduced from 6th April 2015. Media headlines have focussed on issues that are unlikely to affect most people. The crux of it is that, if you have a pension fund you can take one quarter tax free (as always has been the case). The big change is that from the amount remaining you can take as much or as little income as you decide. Remember that you will be charged income tax on the amount you take. In addition there are very important changes to tax on your pension fund when you die.

There are a number of options to the way you can take funds out of your pension so please contact Malcolm Smith on 01295 250401 before making any firm decisions.

Personal tax changes from 6 April 2015

INCOME TAX

HMRC has kindly published a list of the tax changes that affect individuals from 6th April 2015. We have reproduced the list below.

- Individuals over the age of 55 have flexible access to their defined contribution pension savings.
- The Income Tax Personal Allowance increases to £10,600.
- The higher rate Income Tax threshold increases to £42,385.
- The new Marriage Allowance comes into effect.
- The starting rate of savings Income Tax reduces from 10% to 0% for savings up to £5,000.
- The cash ISA limit increases to £15,240.
- Child Trust Funds can now be transferred into Junior ISAs.
- Spouses can now inherit their deceased partner's ISA benefits.
- If an individual dies before the age of 75, they can now pass on their unused defined contribution pension savings free of Income Tax.
- Beneficiaries of individuals who die under the age of 75 with a joint life or guaranteed term annuity can now receive any future payments from such policies free of Income Tax.
- Employers will no longer have to pay employer NICs for employees under the age of 21.
- Class 2 NICs for the self-employed can now be collected through Self Assessment.
- The Employment Allowance extends to include people employing care and support workers to look after themselves or family members.
- A new annual remittance basis charge of £90,000 is introduced for non-domiciled individuals who have been resident in the UK in at least 17 of the last 20 years, and the charge paid by non-domiciled individuals who have been resident in the UK in at least 12 of the last 14 years has increased from £50,000 to £60,000.
- Non-UK resident individuals, trusts, personal representatives and narrowly controlled companies are now subject to Capital Gains Tax on gains accruing on the disposal of UK residential property.
- Capital Gains Tax annual exemption amount has increased to £11,100.
- The Capital Gains Tax charge on disposals of properties liable to ATED extends to cover residential properties worth £1 million - £2 million.
- The requirement that 70% of Seed Enterprise Investment Scheme money must be spent before EIS or VCT funding can be raised is removed.

- The Fuel Benefit Charge multiplier for both cars and vans increases by RPI.
- The Van Benefit Charge increases by RPI. In 2015-16 the Van Benefit Charge rate paid by zero emission vans is 20% of the rate paid by conventionally fuelled vans.
- Tax Credit payments are stopped in-year where, due to a change in circumstances, a claimant has already received their full annual entitlement.

If you need more information regarding any of these changes please call.

Business and corporate tax changes from 1 April 2015

CORPORATION TAX

The published list of tax changes that affect primarily businesses are listed below.

- The Corporation Tax rate has been reduced to 20%.
- The new Diverted Profits Tax has been introduced.
- The bank levy has increased from 0.156% to 0.21%.
- Air Passenger Duty has been restructured - abolishing bands C and D.
- Hospice charities, blood bikes, search and rescue, and air ambulance charities will be eligible for VAT refunds.
- Business rates changes (England only):
 - o The business rates multiplier has increased from 48.2p to 49.3p (47.1p to 48.0p for small business multiplier). This includes the 2% inflation cap.
 - o The Small Business Rate Relief scheme has doubled for a further year - providing 100% relief for businesses with a single property with a rateable value of less than £6,000, and tapered relief with a rateable value of £6,000 - £12,000.
 - o The business rates discount for shops, pubs, cafes and restaurants with a rateable value of £50k or below has increased from £1,000 to £1,500.
- The cultural test for high-end TV tax relief has been modernised and the minimum UK expenditure requirement for all TV tax reliefs has reduced from 25% to 10%.
- A new tax relief on the production of children's television has been introduced.
- The amount of banks' annual profit that can be offset by carried forward losses has been restricted to 50%.
- Two new bands for the Annual Tax on Enveloped Dwellings (ATED) have been introduced.
- Capital Gains Tax exemption for wasting assets will only apply if the corporate selling the asset has used it in their own business.
- An investment allowance for North Sea oil and gas, replacing the existing offshore field allowances and simplifying the existing regime, has been introduced.
- A reduced rate of fuel duty to methanol will apply - the rate is 9.32 pence per litre.
- Fuels used to generate good quality electricity by CHP (combined heat and power) plants for onsite purposes are exempt from the Carbon Price Floor.
- Climate Change Levy main rates have increased in line with RPI.
- The VAT registration threshold has increased from £81,000 to £82,000 and the deregistration threshold from £79,000 to £80,000.
- Scottish Government's Land and Buildings Transactions Tax (LBTT) will replace Stamp Duty Land Tax in Scotland.

- The associated companies rules have been replaced with simpler rules based on 51% group membership.
- The standard and lower rates of landfill tax have been increased in line with RPI.

Again, if you need more information on any of these changes please call.

Reclaim VAT from mileage payments

EMPLOYEE BENEFITS

If you pay your employees a mileage rate for the business use of their personal vehicles, as long as you do not exceed the approved rates per mile, there is no necessity to report these payments to HMRC and the payment will not be treated as a taxable benefit. Employers and employees may also find the notes that follow instructive:

1. The maximum tax free rates per mile for the use of a car are: 45p per mile for the first 10,000 business miles and 25p per mile thereafter.
2. Employers are not obliged to pay these rates, but if they are exceeded the excess will need to be reported to HMRC as a benefit in kind.
3. If employers pay less than the 45p (25p) rates the employee can obtain tax relief on the difference by making a claim to HMRC.
4. Employers can reclaim the deemed VAT on the fuel elements of the mileage allowance payments by using the approved fuel rates. See table below.

Advisory fuel rates per mile from 1 March 2015 are:

- 1400cc or less: petrol 11p; LPG 8p.
- 1401-2000cc: petrol 13p; LPG 10p.
- Over 2000cc: petrol 20p; LPG 14p.

Diesel rates are:

- 600cc or less: 9p
- 1601-2000cc: 11p
- Over 2000cc: 14p

Example:

David is paid for a 200 mile business trip at 30p per mile (his annual business mileage claims are well below the 10,000 maximum). He runs a 1500cc petrol car. He can make a claim to HMRC to deduct £30 mileage allowance from his taxable pay (200 x 15p).

His employer can recover VAT input tax on the fuel element (200 x 13p) x 1/6 = £4.33.

If you would like help to make back-dated claims to recover VAT if you are an employer; or make a claim if you are paid less than the 45p (25p) rate, please call for further advice.

HMRC scores hat-trick

GENERAL

HM Revenue and Customs has secured three tribunal wins against tax avoidance schemes, protecting over £260 million in tax.

All three rulings uphold earlier judgments in HMRC's favour at the First-tier Tribunal.

The Upper Tribunal dismissed an appeal brought by users of a scheme that sought to create artificial losses by using a combination of the employment Income and Capital Gains Tax rules on share options. The judges dismissed the appeal without needing to hear substantive arguments from HMRC, and indicated that written reasons would follow. There were 420 users of this scheme.

The Upper Tribunal also dismissed two other cases. These bespoke schemes were designed by banks to provide the users with a much higher tax-free return on their cash deposits than they could have obtained by placing funds in a normal deposit account. Both of these schemes were marketed and sold by banks some years ago for substantial fees. The court joined these two separate cases because of similarities between the schemes.

Tax Diary May/June 2015

GENERAL

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.

1 June 2015 - Due date for Corporation Tax due for the year ended 31 August 2014.

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

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

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