

## IMPORTANT DATES

### JULY

19th: PAYE / NIC Payment due plus any Class 1A NICs on P11D items

31st : Payment deadline for second self assessment payment on account.

31st: Deadline for submitting child tax credits forms

### AUGUST

19th: PAYE / NIC Payment due

### SEPTEMBER

19th: PAYE / NIC Payment due

30th: Corporation tax payments due for companies with December year-ends.

## NUGGET OF NEWS

Shared parental leave came in for births from April 15 onwards, effectively allowing a couple to share rights to maternity leave and maternity pay according to some quite complex eligibility and notification criteria.

Please let us know soonest if you or any of your employees might be taking up this entitlement.

## BUDGET 2015 (ANOTHER ONE!)



It used to be that we only got one Budget every year but now what with autumn statements and elections, it seems that I'm forever reporting on more changes / tinkering with the tax system. I guess at least it keeps us on our toes!

Anyway, yesterday's Budget speech contained more detailed changes than in many years for our client base, with small limited companies being affected by a whole raft of changes scheduled for April 2016. It will take a while to fully process the impact of these changes but

for now here is a digest of the main issues which made me sit up and take note—more tailored advice will be communicated in due course ....

### Changes for Small Businesses

- **The Employment Allowance**, currently set at £2k, will rise to £3k from next April. This is effectively a rebate of Employer's NICs incurred. However, from April the Employment Allowance will no longer be available to companies where the director is the sole employee, meaning a return to the previous strategy of paying yourself at the secondary threshold for NICs rather than at the personal tax allowance rate.

- **A National Living Wage** is to be introduced for all employees aged 25 or over from April 2016. This will be set at £7.20/hour with the aim for this to increase to £9/hr by 2020. Effectively this is a new band of National Minimum Wage and for employers paying at those levels it will mean quite a significant jump in the short term. The increase in the Employment Allowance is designed to soften the blow.

- The **dividend** tax credit is being abolished from April 16, replaced by a dividend tax-free allowance of £5k. Fine for those who receive modest dividends from shares they hold in third-party companies, but not for those who hold shares in their own companies and use dividends as remuneration. Effectively this means that dividends taken over and above £5k in any tax year from your own limited company will be taxed at new dividend tax rates of 7.5% , 32.5% and 38.1% dependent on the tax band they fall in. Ouch! More on this in the coming weeks.

- **Corporation tax rates**, currently set at 20% will drop to 19% from April 2017 and then to 18% in April 2018.

- The **annual investment allowance** on capital equipment is to rise to £200k from January 2016 and will be set permanently at that rate (until they decide to change it again)

- **Insurance Premium Tax (IPT)** to rise to from 6% to 9.5% in November 15 which will mean higher premiums on many policies taken out by businesses.



## PRACTICE NEWS

Over the summer both Sue and I have some annual leave planned but not at the same time. Therefore there should be no break in service although we may be looking to move the timings of some of our work e.g. payroll to fit in best with when we are around. We will notify any clients affected in advance.

After our last newsletter which contained lots about auto-enrolment, we had a number of clients come forward for clarification. If you meant to but forgot, here is another reminder not to just park this one—auto-enrolment is going to be a significant challenge for many clients and early engagement is vital.

## BUDGET ROUND-UP - continued

### The Macro Picture

The Office for Budget Responsibility forecasts have not really changed much since March; basically borrowing is still high (forecast to be £69.5bn in 15-16) but coming down with the aim to deliver a budget surplus finally in 2019-2020. By then total debt as a % of GDP will be 71.5%. Further cuts are required, but the government is also banking on higher tax receipts (by further targeting tax avoidance) and cash windfalls from the sale of remaining government assets, namely shares held in the banks they assisted during the financial crisis—Lloyds and RBS. HMRC are being given an additional £750m to tackle tax avoidance—perhaps they might divert some of those funds to answering their phones first!

### Changes to Personal Taxation

- The tax-free **personal allowance**, currently at £10,600 will rise to £11k from April 2016. The level at which you start paying 40% tax, currently £42,385 will increase to £43k in April.

- For those with **Buy-to-Let** properties, there will be a significant change phased in over 4 years from April 2017. Currently mortgage interest incurred on a loan to purchase a let property is fully deductible when computing the profits of the rental business. By 2020, none of the mortgage interest will be deductible when computing rental profits but it will attract tax relief at the

basic rate of 20%.

I will supply worked

examples of how this comes into play in due course. But in summary, If your mortgage interest is very low you are unlikely to be greatly affected; if however you have taken on a large mortgage to fund the property purchase, your tax liability if a higher rate taxpayer is likely to be significantly greater.

- **Rent-a-Room relief** will increase from £4250 to £7500 from next April—very welcome if you're just renting out a spare bedroom.

- **Inheritance Tax.** Largely trailed in the media, from April a family home allowance of £100k rising to £175k per person by April 2020 will effectively increase the IHT threshold to £0.5m per person or £1m per couple to allow homes up to £1m to be passed down tax-free. There will be a taper so that homes over £2m will not see any of these benefits.

- **Changes to non-doms.** Anyone resident in the UK for 15 of the last 20 years will lose their permanent non-dom tax status from April 2017 and therefore pay UK taxes on worldwide income—the same basis as a UK resident.

- **Fuel duty frozen** for remainder of 2015



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