



Chartered  
Management  
Accountants

## THE BCS Partnership Ltd

### NEWSLETTER

### Autumn 2016

**Autumn Statement Date: 23 November 2016**

If you have Company Cars or pay Car Allowances, do attend one of our Company Cars seminars for a complete tax update.  
And save your Company a lot of money:-

#### ~ "COMPANY CARS – THE FUTURE" – Seminars ~

Company Car tax will increase by over 40-50% in real terms over the next 3 years. On the other hand:-

**Companies are saving over £10,000 per driver in adopting the Key Alternatives.**

So, **BCS** are continuing to run their very successful seminars on Company Cars:-

#### "COMPANY CARS – THE FUTURE ?"

**½ Day - 9.30 am - 12.30 Noon**

Spend ½ a day to make an informed decision.

<b>Milton Keynes</b>	- Thursday	6 <sup>th</sup> October	2016	- Holiday Inn Hotel, London Road, Newport Pagnell J14 M1	M16 0JA
<b>Birmingham</b>	- Thursday	3 <sup>rd</sup> November	2016	- Holiday Inn Hotel, Chapel Lane, Great Barr, Birmingham	B43 7BG
<b>Bristol</b>	- Thursday	1 <sup>st</sup> December	2016	- Alveston House Hotel, Davids Lane, Thornbury, Bristol	BS35 2LA
<b>Manchester</b>	- Thursday	2 <sup>nd</sup> February	2017	- Clayton Hotel, Outwood Lane, Manchester Airport	M90 4HL <b>TBC</b>

£149 + VAT for (1) Delegate: £199 + VAT for two (2) Delegates per company.

**Details and Booking On-line** can be found at:- <http://www.bcspart.co.uk/> or telephone **01706 646664**.

#### ~ BCS Tax Focus Card 2016/17 ~

A free \*.pdf copy of our Tax Focus 2016/17 which shows the key tax rates from the Budget 2016 and the last seven years is available at: <http://www.bcspart.co.uk/>

Or - call us on 01706 646664 or e-mail [bcspart@bcspart.co.uk](mailto:bcspart@bcspart.co.uk).



## ~ Suggestion Pay - ESC A57 ~

We remind our readers that this valuable tax concession is still on the table.

Employees can be paid up to £5,000 TAX FREE for cost-saving suggestions. Even if the suggestions aren't implemented!

An employee can receive as many tax-free awards as may be warranted in each Tax Year - each up to £5,000.

**BCS Partnership** has been dealing with Suggestion Pay schemes since the 1990's so we are in a good position to advise businesses how to utilise this incentive. There are some basic rules which need to be followed, but nothing onerous. After all - HMRC use it - you can too!

## ~ ESOPs - Employee Share Ownership plans ~

## ~ CSOP's - Company Share Ownership Plans ~

Employee share plans have been a traditional part of the BCS Partnership skills set. This month we are HMRC reminded that **CSOPs** are available.

Research shows that companies that offer their employees shares in the business perform 10% better than the industry average.

Approved **Company Share Option Plans – CSOPs** - are often over-looked as a very tax-efficient way of incentivising staff.

~ Share options can be issued - tax-free at the date of offer. Up to **£30,000** worth per employee with no limit to the overall value of options granted.

~ Options taken up between 3 and 10 years from date are tax & NIC free.

~ Any full or part-time employee or full-time director can participate, provided they do not own more than 25% of the company.

~ The company can choose selectively which employees are to be entitled.

~ Objective performance targets can be attached to the grant and/or exercise of options.

~ There is no requirement that the company carries on a 'qualifying trade'.

~ Scheme shares may be non-voting, and the company can require employees offer their shares back if they leave.

~ On exercise of the option, tax and NIC are not chargeable on any increase in value between the grant and exercise of the option. When shares acquired by the exercise of an option are disposed of, there is no charge to income tax or NIC.

~ Any capital gain is chargeable to capital gains tax. [ Business assets taper relief starts to run from the date of the exercise of the option. ]

~ Employers can deduct the costs of establishing and administering the **CSOP** against taxable profits and the cost of providing shares under it.

At [The BCS Partnership Ltd](#) we shall be happy to discuss tax-efficient employee shares with you. Ring: **01706 646664**.

## ~ Salary Sacrifice – Travel Allowances – And Now - Cars ~

From 1 April 2016 HMRC have banned Salary Sacrifice arrangements whereby tax-free (expenses) allowances were paid by offsetting (reducing) taxable pay. This is part of simplifying travel expenses in that they no longer have to be declared on P11Ds. In similar fashion, companies will now find it virtually impossible to gain HMRC approval for 'Car' Salary Sacrifice schemes.

## ~ EU VAT – Purchases Abroad ~

Given several of our high-end clients work and live abroad, any UK VAT registered business that has incurred VAT in another EU country may be able to recover these costs by submitting an EU VAT refund claim.

Applications relating to input VAT incurred in the year 2015 must be submitted by 30<sup>th</sup> September 2016.

Any applicant must not be registered or registerable in the Member State from which they are claiming a refund, nor must they have a permanent business establishment in that EU country.

## ~ Missing Records ~

The VAT People remind us that Brockley's Rock, a fish and chip shop, appealed against HMRC's assessing approximately £30,000 under-paid VAT as well as a penalty of similar value on the basis that VAT had been deliberately under-declared over a 3 year period.

Following a visit by an HMRC officer, there was doubt over the accuracy of the till figures due to some sales being processed whilst the till was in 'training mode' and some credit cards sales not being accounted for on VAT returns.

Under Section 73 VAT Act 1994, the taxpayer was assessed by the officer to: "the best of their judgement" in the absence of exact figures. Officers must act in good faith and base assessments on findings from the business, but were not expected to do the work of the taxpayer to form a conclusion. I.e. not expected to carry out all the (missing) bookkeeping.

This case highlights the necessity for taxpayers to keep detailed records dating back at least six years, as required by UK VAT law and for ensuring that all figures submitted to HMRC via VAT returns are accurate.

## ~ Termination Payments ~

Although not due to be applied until April 2018, employers might want to start taking account of the new 'rules' in current Contracts of Employment.



All Payments In Lieu Of Notice (PILONS) will be subject to Income Tax and NIC (employer's and employee's).

All other post-employment payments which arise from the employment will be taxable in the same way.

Payments relating to the termination will be tax and NI-free up to the £30,000 limit and there after subject to Income Tax and Employer's NIC (only).

### ~ Disaggregation ~

We are often asked by both micro business clients and larger firms, whether treating a part of the business separately can avoid having to charge VAT or even avoid registering in the first place by operating under the £82,000 limit?

It was a fundamental plank of the 1973 VAT Act that splitting a business up would not be allowed as a viable tax avoidance facility and Customs and Excise have traditionally been very firm on this matter.

One should be aware that it is not the business that registers for VAT but an individual (owner). Even the VAT registrations of the largest PLCs are in the name of an individual – a manager, director or Company secretary, for example.

HMRC do not look at the (viable) reasons for splitting or disaggregating a VAT business, but at the facts.

Each business must have commercial and administrative independence from each other.

To have a separate (VAT) business stream, the (two or more) businesses need to have:-

- ~ separate bank accounts
- ~ separate telephone numbers, e-mails addresses, etc.
- ~ separate premises or at least separate floor space
- ~ their own equipment
- ~ employees who work solely for either business.

### ~ Employer's Allowance ~

Readers who run their own small-company payrolls are reminded that the NIC-free allowance this year is £3,000.

However, one-man companies are no longer entitled to claim the allowance.

Is the answer to engage another ("un-associated") employee and pay them one £157 per week?

Bear in mind your own salary has to be at least £11,000 to benefit from the allowance - and that might not be tax-efficient overall.

We run several payrolls at BCS Partnership and deal with this aspect every month. Call us to discuss – without obligation.

### ~ Dividends ~

From April 2016, the 1/9th Dividend Credit has been replaced by a set of direct tax rates.

All dividends are taxable but there is now a tax-free allowance or 'Zero Rate' band where dividends do not exceed £5,000 in the Tax Year.

By including the 2016/17 Personal 'Earned Income' Allowance, a person having no Earned Income can receive up to £16,000 in dividends before the new 7.5% rate applies. Thereafter, dividends will be taxed at:-

7.5%	for amounts within the Basic Rate (20%) of taxable income
32.5%	for amounts within the Higher Rate (40%) of taxable income
38.1%	for amounts within the Upper Rate (45%) of taxable income

The actual tax on dividend income will, even more, depend on the marginal rate of tax arising from other earnings.

**Tax Planning** There were clear tax savings by bringing forward dividend payments to Tax Year 2015/16, although care had to be taken not to fall foul of the **Tax Avoidance** measures set out in the Autumn Statement. (Readers are reminded that dividends are taxed on the amounts actually PAID in each Tax Year – not the amounts that the Company Directors might have resolved to be paid).

Some worked examples are in our BCS Partnership paper at: [www.bcspart.co.uk](http://www.bcspart.co.uk) and set out the tax bands and allowances that apply in 2016/17.

For further details as to how this might affect you, contact: BCS at: 01706 646664 or e-mail: [bcspart.co.uk](mailto:bcspart.co.uk)

### ~ Holiday Homes ~

Summer's Lease may be due, but we repeat our 'Property' note from our last edition for investors . . . . If you own a holiday home, tax is payable on the (rental) income from it in the UK.

**Embedded Capital Allowances** Typically, around 25% of the original purchase value of a property can be identified as allowable items. Pro-rata; £25K of allowances in a £100K property which translates as £10K in tax refund and/or reduction in future tax liability to a higher rate tax payer.



You could be missing out on a tax allowance based on tax statute and available by right – it just needs quantifying. The Taxation of Residential Property is one of our specialisms at [The BCS Partnership Ltd](#) and we shall be happy to discuss any potential claim with you. Ring: **01706 646664**.

### ~ Buy-To-Let - Interest Relief – A Time For Tax Planning ~

Our Summer article caused quite a bit of reaction from clients – and non-clients(!) So it might be just worth emphasising that the tax changes:-

- a) Do not affect Basic rate 20% tax payers.
- b) Are being phased in between now and 2020.

We have been asked many times: “Will Philip Hammond, the new Chancellor, back-track on the savage changes imposed by George Osborn?” We make no comment.

Tax Planning can only be based on the law we know and the tax regime we have.

In addition to adding 3% Stamp Duty Land Tax on second ‘homes’ from 1<sup>st</sup> April 2016, starting in 2017, interest relief will be reduced progressively so that by 2020, relief will only be given at the Basic Rate of tax. This will have a dramatic effect on net returns for property investors:-.

The reduction in mortgage interest allowance is 0% in 2016-17, 25% in 2017-18, 50% in 2018-19, 75% in 2019-20 and 100% in 2020 and beyond.

	Current 2016	Year 2020	
Rent	20,000	20,000	
Interest	13,000	13,000	
Taxable Profit	7,000	20,000	
Tax @ 40%	2,800	8,000	
Tax Credit – 20%		2,600	(20% £13,000)
Tax Payable	2,800	5,400	Increase £2,600
Net Return	4,200	1,600	
%	21%	8%	

There are three key steps that can be taken to mitigate the impact:-

- ~ Ownership Format
- ~ Limited Company
- ~ Interest Structure.

Not all of these may be applicable to each property and [BCS Partnership](#) will be happy to discuss individual cases.

### ~ ‘Rent-A-Room’ £7,500 ~

Some good news - the tax-free allowance has increased from £4,250 to £7,500 from 6<sup>th</sup> April 2016.

## ~ Company Cars - Advisory Fuel Rates ~

The Advisory Fuel Rates (AFRs) were revised on 1st September 2016.  
The key rates have increased by 1 ppm:-

Engine Size	Petrol	LPG	Diesel
1400 cc or less	11 p	7 p	1600 cc or less 9 p
1401 cc to 2000 cc	13 p	9 p	1601 cc to 2000 cc 11 p
Over 2000 cc	20 p	13 p	Over 2000 cc 13 p
Fuel Cost	109.3 ppl	57.5 ppl	111.0 ppl

The rates will be reviewed on 1<sup>st</sup> December 2016.

## ~ Minimum Wage Rates ~

From October 2015; the new rates apply until October 2016

From October	21+ £ p.hr	18-20 £ p.hr	Under18 £ p.hr	Apprentices Under 19 - or 1st Year
2015	6.70	5.30	3.87	3.30
2014	6.50	5.13	3.79	2.73
2013	6.31	5.03	3.72	2.68
2012	6.19	4.98	3.68	2.65

## ~ National Living Wage (NLW) ~

From 1 April 2016 the National Living Wage (NLW) of £7.20 p.hr. applies to Over-25's.

The voluntary 'Living Wage' of £8.25 applies to the UK and at £9.40 p.hr. in London.

## ~ MAIN INCOME TAX RATES & PERSONAL ALLOWANCES 2016/17 ~

A free \*.pdf copy of our Tax Focus 2016/17, showing 2016 tax rates and the last 7 years is available at: <http://www.bcs part.co.uk/>

	Personal Allowance ***	40% Threshold	Upper Limit
2015/16	Above £10,600 Taxable Income @ 20% up to	£42,385 @ 40%	up to £150,000. Then @ 45%
2016/17	£11,000	£43,000	
2017/18	£11,200	£43,600	
	And a promise to £12,500 by 2020.	*** Reduced by £1 for every £2 of 'Adjusted Income' earned above £100,000.	

	2015/16 £'s	2016/17 £'s
Personal Allowance	10,600	11,000
Allowance Taper Limit	100,000	100,000
Upper Limit	121,200	122,000
Basic Rate Band - 20%	31,785	32,000
Higher Rate Band - 40%	118,215	118,000
Upper Rate Band - 45%	150,000	150,000

### NIC

	2015/16	2016/17
<b>Employees</b> - 12% on Employees' earnings	£155 - £815 p.wk.	£155 - £827 Thereafter @ 2%.
<b>Employers</b> - 13.8% on Employees' earnings over	£156 p.wk.	£156 p.wk.

### Self Employed

<b>Class 2</b> Where Profits above £5,965 p.a.	£2.80 p.wk.	£2.80 p.wk.
<b>Class 4</b> 9% on Profits between	£8,060 - £42,385 p.a.	£8,060 - £43,000 p.a. Thereafter @ 2%.

### Employer's NIC Allowance

Employers will not have to pay the first £3,000 of Er's NIC from April 2016. (Not applicable if Director = sole employee).

### CORPORATION TAX - Main Rate

20% from 1 April 2016 (2015/16 = 20%)	19% from 1 April 2017	18% from 1 April 2018
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### VAT REGISTRATION

£83,000	Cash Accounting – up to £1.35m.
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### COMPANY CAR TAX - Diesel Supplement – The 3% addition for Diesel cars will be added until April 2021.

This alone amounts to a 15% further increase in tax bills in real terms for most Company Car drivers.

Company Car taxation will increase by 33% - 50% in real terms across 2016-17 and the next two years.

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For further advice and guidance on any of the above topics, please contact BCS on 01706 646664.  
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