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**Sent:** 02 February 2015 18:55  
**Subject:** BCS Spring 2015



Chartered  
Management  
Accountants

## THE BCS PARTNERSHIP Ltd

### NEWSLETTER Spring 2015



#### ~ BUDGET 2015 ~

The December 2014 Budget Statement confirmed a number of key fiscal changes for 2015/16:-

#### KEY CHANGES

Personal Allowance increased to £10,600 (2014/15 £10,000).

Income Tax Basic Rate @ 20% up to taxable income of £31,785 (£31,865).  
 Thereafter @ 40% up to £150,000. Then @ 45%. (Unchanged).

NIC - Employees - 12% on Employees' earnings £155 - £815 p.wk.  
 Thereafter @ 2%. (£153 - £805)  
 Employers - 13.8% on Employees' earnings above £156 p.wk. (£153).  
 Self Employed 9% on £8,060 - £42,385 p.a.) Thereafter @ 2%.  
 (£7,956 - £41,865)

Stamp Duty on Residential Property - Reformed

Pre 4 December 2014	2014 %'s Applied to Whole of Value	From 4 December 2014	2015 %'s Applied to Each Slice of Value
Up to £125,000	Nil	Up to £125,000	Nil
£125,001 - £250,000	1%	£125,001 - £250,000	2%
£250,001 - £500,000	3%		
£500,001 - £1,000,000	4%	£250,001 - £925,000	5%
£1,000,001 - £2,000,000	5%	£925,001 - £1,500,000	10%
Over £2,000,000	7%	Over £1,500,000	12%

For a copy of our Tax Focus 2014/15 which shows the key tax rates for the last seven years and the Budget 2014 Key Changes, call us on 01706 646664 or e-mail [bcspart@bcspart.co.uk](mailto:bcspart@bcspart.co.uk). A \*.pdf version is available on our website at: <http://www.bcspart.co.uk/>

## ~ Goodwill - Capital Gains ~

From 4th December 2014, goodwill transferred/sold into an incorporated business from a sole trader/proprietor will no longer attract 4/9ths Entrepreneurs' Investment Relief, previously reducing basic Capital Gains tax from 18% to 10%.

Note - however, that this can still be an attractive tax arrangement, if withdrawing money from a business, as compared to PAYE salary or dividend tax rates.

[ Corporation Tax relief from Goodwill amortisation (writing down allowances) was severely restricted in the 2009 Finance Act, following the limitations set down in the 1998 'Pre-Owned Assets' regime. These are not changed. ]

## ~ Payroll ~

### ~ Claim your £2,000 NI 'Employment Allowance' ~

From April 6th 2014 employers can claim not to pay the first £2,000 of Employer's Class 1 NIC otherwise payable.

Now extended from April 2015 to cover Care Workers, all employees under 21 and Apprentices under 25.

All companies can apply. This includes charities and even Community Amateur Sports Clubs. (Groups of companies are allowed only one £2,000 allowance).

Under Real Time Information now, all payrolls must be run electronically (if that is the right word?) using either proprietary/in-house software or HMRC's facility. To claim the allowance, tick the appropriate Check-Box once you are satisfied your organisation qualifies.

## ~ SSP Offset ~

### Employer's will lose the SSP Subsidy in 2014/15.

From April 2014 the SSP compensation scheme ceased. It provided employers who had a relatively low wages bill with a government contribution towards the cost of paying employees Statutory Sick Pay.

For most employers the change shouldn't be a major cost. Up until this year, where an employer paid SSP to employees amounting to more than 13% of the total NI contributions (employees' plus employers') for the same month, the excess could be claimed back. For example, if a company paid SSP of £250 in a month and the total NI bill for the same month was £1,000, it could reclaim £120 (£250 - (£1,000 x 13%)).

## ~ Minimum Wage Rates ~

Revised from October 2014 : £'s p.hour:-

Year	21+	18-20	-18	Apprentices
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

## ~ Petrol & Diesel Advisory Fuel Rates ~

The AFRs were revised on 1st December 2014. HMRC have reduced the Petrol rates for small and larger cars by 1 ppm. and for larger Diesel cars:-

Engine Size	Petrol	LPG	Diesel
1400 cc or less	13p	9p	
1600 cc or less			11p
1401 cc to 2000 cc	16p	11p	
1601 cc to 2000 cc			13p
Over 2000 cc	23p	16p	16p
Fuel Cost	122.5 ppl	68.6 ppl	127.3 ppl

## ~ VAT Rules - Discounts ~

From 1 April 2015 VAT registered businesses offering early settlement discount will need to review their procedures.

Up to now, the VAT element on invoices could be reduced by the discount rate - e.g. 5% for 14 days - regardless of whether the account was actually settled within that period. From next April, this can still be done, but where payment is paid later, a supplementary VAT (only) invoice must be issued.

Alternatively, suppliers can invoice the full amount of VAT initially and then issue a VAT credit note if early settlement is given. (This is probably the easier method as it matches issuing a discount credit note - with VAT attached).

### ~ Suggestion Pay - ESC A57 ~

It is worth reminding our clients that this valuable tax concession is still on the table - after 30 years in our experience.

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 - or whatever your Suggestion Scheme considers appropriate.

**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 - why don't you?

### ~ Directors' Loans - Dividend 'Trap' ~

In a personal or family company scenario, the directors often borrow money from the company. Although this can be useful, tax issues arise where the loan remains outstanding nine months and one day after the end of the accounting period.

If the loan is not repaid within this timescale, details of the loan must be included within the company tax return and the company must pay (s.455) Distribution Tax at 25% of the balance of the loan. The tax is due on the normal due date for Corporation Tax. Interest is charged to the extent that the tax is paid late. Note - this Distribution tax is usually assessed on the average opening and closing balances as at start and end of the accounting period. The £5,000/£10,000 minimum does not apply.

If the loan is repaid before the Corporation Tax due date (9 months) there is no s.455 Distribution Tax to pay on the loan.

The interest BIK tax-free limit increased from £5,000 to £10,000 in April 2014.

### ~ Tax Efficient Share Buy-backs ~

HMRC have issued new guidance where companies purchase their own shares - i.e. from Directors-manager-shareholders.

It includes useful tax-saving advice for married couples - taking advantage of the principles established in the 'Arctic Ltd' case of using the spouse's free allowances; that transfer of shares between spouses is free of Capital Gains Tax and allowing back-dating up to 5 years. Companies can ask HMRC to treat share payments as capital payments rather than as (dividend) distributions.

For further details, if you think this might assist in your specific case, contact The BCS Partnership Ltd. 01706 646664.

### ~ Long Term Sickness ~

**How long is long enough as to whether the employer should be expected to hold open the employee's job?** Ill-health is a potentially fair reason to dismiss an employee. It has been established that in order for an ill-health dismissal to be fair, the employer must usually ascertain the medical prognosis, consult with the employee and consider alternative employment.

The Inner House of the Court of Session in the case of *BS v Dundee City Council* has reviewed the case law applying to long-term ill-health dismissals.

One of the findings indicated that a year might be a reasonable time in which to bring matters to a conclusion - taking all other factors into account.

And, to close . . . .

### ~ "Company Cars - The Alternatives" ~ Seminars

Company Car tax is due to rise another 10% in real terms this April. 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 Alternatives"    ½ Day - 9.30 am - 12.30 Noon**

Spend ½ a day to make an informed decision.

**Milton Keynes** - Thursday 5th February - Holiday Inn, M1 / J14 London Road, Newport Pagnell MK16 0JA

**Manchester** - Thursday 19th March - Bewleys Hotel, Outwood Lane, Manchester Airport M90 4HL

**Birmingham** - Thursday 23rd April - Holiday Inn, Chapel Lane, Great Barr, Birmingham B43 7BG

**Bristol** - Thursday 14th May - Alveston House Hotel, David's Lane, Alveston B35 2LA

**Milton Keynes** - Thursday 9th July - Holiday Inn, M1 / J14 London Road, Newport Pagnell MK16 0JA

£149 + VAT for (1) Delegate: +£50 + VAT for additional Delegate per company.

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

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

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