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THE BCS Partnership Ltd

NEWSLETTER

Spring 2016



The Only Constant Is Change

Two Budgets and the Chancellor's Autumn Statement in 2015 set out the key tax rates and tax regimes for the next two years or more.

There are significant changes affecting in particular, business people.

This Newsletter updates the main tax rates from the Budget 2016 of Wednesday 16th March 2016.

BUDGET 2016 - HEADLINES

DIVIDENDS

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

There will be a tax-free allowance where dividends do not exceed £5,000 in the Tax Year. Strictly speaking, this is a 'Zero Rate' band, in that all dividends are taxable.

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 have been clear tax savings by bringing forward dividend payments to Tax Year 2015/16, although care must 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 and set out the tax bands and allowances that will apply in 2016/17.

Currently - 2015/16 - dividends are paid net and attract a Tax Credit of 1/9th. I.e. 10% of the gross amount. When grossed up, they are then taxable at:-

First £31,785 @ 10% - less 10% tax credit = 0% = 25% of net dividends paid
Next £118,215 @ 32.5% - less 10% tax credit = 22.5% = 25% of net dividends paid
Above £150,000 @ 37.5% - less 10% tax credit = 27.5% = 30.5% of net dividends paid

For further details and worked examples as to how this might affect you, contact: BCS at: 01706 646664 or e-mail: bcspart@bcspart.co.uk

SAVINGS INTEREST

In April 2016 tax will cease to be charged on the first £1,000 of interest received by 20% taxpayers and the first £500 of interest received by 40% taxpayers. In 2016, tax on interest will stop being deducted at source.

Savings Tax – Start Rate - The £5,000 of savings income subject to the 0% starting rate will be unchanged for 2016/17.



MAIN INCOME TAX RATES & PERSONAL ALLOWANCES 2016/17

	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	2016/17
Personal Allowance	10,600	11,000
Allowance Taper Limit	100,000	100,000
	-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
Employees - 12% on Employees' earnings	£155 - £815 p.wk.	£155 - £827 Thereafter @ 2%.
Employers - 13.8% on Employees' earnings over	£156 p.wk.	£156

Self Employed

Class 2 Where Profits above £5,965 p.a.	£2.80 p.wk.	£2.80 p.wk.
Class 4 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 next April 2016:-
 £2,000 from 1 April 2015. £3,000 from 1 April 2016. (Not applicable if Director = sole employee).

- However Taken from the 2015 Budget Paper HC 264:-

**"2.62 National Insurance contributions Employment Allowance –
 From April 2016, companies where the director is the sole employee will no longer be able to claim the Employment Allowance."**

Tax payers running their own companies must plan for this; if they are to retain any of the 2014-15 NIC advantage.

1. It would appear that the £3,000 allowance will be available to husband and wife companies
2. And / or companies with 2 or more directors?
3. A shareholder need not be a (the) director and vice-versa.
4. 'Employee' is not specified. It might seem taking a part-timer/junior could suffice.
 (Ask for a free copy of The BCS Partnership paper: **"Employing Children"** for guidance.)

Because of these and other conundrums, it is very likely that there will be further detail following the 2016 Budget on Wednesday 16th March. The BCS Partnership Ltd will keep readers updated.

TAX FOCUS CARD

For a copy of our Tax Focus 2016/17 which shows the key tax rates for the last seven years and the Budget 2016,

Call us on 01706 646664 or e-mail bcspart@bcspart.co.uk. A *.pdf version is available at: <http://www.bcspart.co.uk/>

CORPORATION TAX - Main rate

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

~ COMPANY CAR TAX - Diesel Supplement – The 3% addition for Diesel cars will be retained until April 2021.

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



EMPLOYMENT INTERMEDIARIES – Travel and Subsistence

From 6 April 2016 the tax relief for travel and subsistence expenses will be restricted for workers who are engaged through an employment intermediary, such as an umbrella company or a personal service company. This was previously announced in the Summer Budget 2015.

Following consultation, relief will be restricted for individuals working through personal service companies where the 'Intermediaries' legislation applies. (IR 35, etc.)

~ Minimum Wage Rates ~

From October 2015; the new rates will 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. will apply to Over 25's.

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

~ Company Cars - Advisory Fuel Rates ~

The AFRs were revised on 1st March 2016:-

Engine Size	Petrol	LPG	Diesel
1400 cc or less	10p	7p	
1600 cc or less			8p
1401 cc to 2000 cc	12p	8p	
1601 cc to 2000 cc			11p
Over 2000 cc	19p	13p	11p
Fuel Cost	101.5 ppl	56.0 ppl	101.2 ppl

The rates will be reviewed on 1st June 2016.

~ Suggestion Pay - ESC A57 ~

We remind our readers 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.

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!

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



## ~ Pension Limits ~

The £1,250,000 Lifetime Allowance will be reduced to £1,000,000 from April 6 2016.

For funds of over £1m, the change will not be retrospective. The allowance will increase by Consumer Price Index from April 2018.

The present £40,000 Annual Allowance will be tapered to £10,000 for people earning over £150,000 p.a. at the rate of £1 for every £2 over £150,000.

## ~ VED - Increases - CO<sub>2</sub> Basis ~

This May - as confirmed in the Budget 2015 - saw very significant increases in Vehicle Excise Duty on cars acquired after 1 April 2017. Both the First-Year ('Showroom') rates have increased, but also the annual rates will increase for 95% of cars.

Essentially, all except zero-rated CO<sub>2</sub> cars will pay £140 p.a., VED removing the incentive to acquire fuel-efficient cars.

Vehicles over £40,000 List Price will pay a further £310, making their VED bill £410 p.a..

[ Zero-rated CO<sub>2</sub> cars (e.g. 100% electrics) will pay £0 p.a., VED. ]

Cars over 255 gm/km will be charged a £2,000 First-Year tax.

For further details, contact The BCS Partnership Ltd. 01706 646664. Or attend our Company Cars seminar. (See below).

And to close . . . .

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

Company Car tax will increase 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 Alternatives"    ½ Day - 9.30 am - 12.30 Noon**

Spend ½ a day to make an informed decision.

|                      |            |                        |      |                                                                  |
|----------------------|------------|------------------------|------|------------------------------------------------------------------|
| <b>Bristol</b>       | - Thursday | 14 <sup>th</sup> April | 2016 | - Alveston House Hotel, Davids Lane, Thornbury, Bristol BS35 2LA |
| <b>Manchester</b>    | - Thursday | 12 <sup>th</sup> May   | 2016 | - Clayton Hotel, Outwood Lane, Manchester Airport M90 4HL        |
| <b>Milton Keynes</b> | - Thursday | 16 <sup>th</sup> June  | 2016 | - Holiday Inn Hotel, London Road, Newport Pagnell J14 M1 M16 0JA |
| <b>Birmingham</b>    | - Thursday | 14 <sup>th</sup> July  | 2016 | - Holiday Inn Hotel, Chapel Lane, Great Barr, Birmingham B43 7BG |

£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**.

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