



Chartered
Management
Accountants

THE BCS Partnership Ltd

NEWSLETTER

Summer 2016



The UK Has One Of The Most Changeable Tax Regimes
of All The Developed Economies.

World Bank & IFC

~ Budget 2016 – 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.

Something of a 'Property' note in this edition for investors

~ Holiday Homes ~

If you own a holiday home tax is payable on the income from it in the UK.

Capital Allowances - Property Embedded Fixtures & Features Specialist Allowances (PEFFs) may be claimed on most types of commercial and industrial property – as with plant & machinery, fixtures & fittings - and can also be claimed on residential buy to let properties that are let to more than one unrelated persons such as student accommodation.

Providing your holiday home is available to be let for at least 210 days per year and is actually let for at least 105 days per year then you could have a strong claim for Embedded Capital Allowances on items that form part of its overall value and that are able to be moved if necessary. It covers things such as radiators, heating systems, air conditioning, bathroom and toilet fittings, kitchens, security systems and much more.

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.

So it is an exercise well worth looking at, given this is a specialised area of tax statute and may require specific valuations.

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**.

~ 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!

~ IR35 – Intermediaries' Travel ~

From 1 April 2016 HMRC have applied the Autumn Statement 2015 clamping down on tax-free travel claims. Although, going beyond the actual legislation, where now there is an element of Supervision, Direction or Control (SDC) applied by a 'Client' to a 'Worker', despite an 'Intermediary', all travel by the 'Worker' to the work place is 'commuting' and so not eligible for the 45/25 ppm tax-free or tax-deductible allowances.

This does not apply to travel to 'temporary' locations. The example is given of an agency interim manager (Worker) allocated to a Client assignment in Manchester but then being asked to attend/work at the client's Oldham branch for a short period. The 'Worker's travel from home to Oldham is tax-free / tax-deductible. And of course, the return journeys home.

In reality, of course, this will affect virtually all agency workers.



~ Salary Sacrifice – Travel Allowances ~

In similar vein, from 1 April 2016 HMRC have banned Salary Sacrifice arrangements whereby tax-free allowances were paid by offsetting (reducing) taxable pay. In reality, this is part of the 'tidying-up' in simplifying travel expenses in that they no longer have to be declared on P11Ds.

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

The Chancellor, George Osborne, made several specific attacks on Entrepreneurs and Private Investors this year:-

- ~ Changes in Dividends taxation (see separate article and our FREE discussion paper).
Increasing the 'Upper' tax rate to 38.1% - equal to 63.1% after Corporation Tax, effectively for 45% Income Tax payers.
- ~ Reduction in Annual Investment Capital Allowance from £500,000 to £200,000
- ~ Reduction in Pension Allowance from £50,000 to £40,000 p.a..
- ~ Limiting Buy-To-Let interest tax relief to the Basic Rate from 2017.

In addition to adding 3% Stamp Duty Land Tax on second 'homes' from 1st 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 affect 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, 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.

~ 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 and set out the tax bands and allowances that apply in 2016/17.

Up to 2015/16 dividends were paid net, attracting a Tax Credit of 1/9th. I.e. 10% of the gross amount. When grossed up, they were 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 as to how this might affect you, contact: BCS at: 01706 646664 or e-mail: bcspart@bcspart.co.uk

~ 'Rent-A-Room' £7,500 ~

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



~ BUDGET 2016 - Headlines ~

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 £'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
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 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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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 be increased by typically 33% across 2016-17 and the next two years.

~ Company Cars - Advisory Fuel Rates ~

The Advisory Fuel Rates (AFRs) were revised on 1st June 2016:-

Engine Size	Petrol	LPG	Diesel
1400 cc or less	10p	7p	
1600 cc or less			9p
1401 cc to 2000 cc	13p	9p	
1601 cc to 2000 cc			10p
Over 2000 cc	20p	13p	12p
Fuel Cost	108.5 ppl	56.7 ppl	109.3 ppl

The rates will be reviewed on 1st September 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.



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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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And finally

~ HMRC Bad Losers? No! – Surely Not? ~

The ink was hardly dry in the 'Apollo Fuels Ltd' Court of Appeal judgement this Spring – which was good news for several **BCS Partnership** customers – before HMRC closed the gap on treating employees' contributions as tax-allowable in certain Benefits In Kind tax assessments.

Post "Apollo" Clause 7 Basis Essentially, Clause 7 of the Second Finance Act 2016 now states that even where employees might be paying back 100% of an employers' costs in providing a BIK, the benefit is still taxable according to the respective Statutory rules.

Thus, for example:-

- ~ Company Car repayment contributions (for private use)
 - ~ Loans to Employees
 - ~ Employer-Provided Accommodation
- are taxable, even where the employee has made (100%) repayments.

For further details, contact **The BCS Partnership Ltd. 01706 646664**.

And to close . . . do attend one of our Company Cars seminars for a complete tax update. And save your Company a lot of money:-

~ "Company Cars - The Alternatives" ~ Seminars

Company Car tax will increase by over 40-50% in real terms over the next 3½ 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.

Milton Keynes	- Thursday	16 th June 2016	- Holiday Inn Hotel, London Road, Newport Pagnell J14 M1	M16 0JA
Birmingham	- Thursday	14 th July 2016	- Holiday Inn Hotel, Chapel Lane, Great Barr, Birmingham	B43 7BG
Manchester	- Thursday	11 th August 2016	- Clayton Hotel, Outwood Lane, Manchester Airport	M90 4HL
Bristol	- Thursday	15 th September 2016	- Alveston House Hotel, Davids Lane, Thornbury, Bristol	BS35 2LA TBC

£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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