NEWSLETTER JULY 2015

65+ GUARANTEED GROWTH BONDS A SUCCESS

HM Treasury has announced that the National Savings and Investments 65+ Guaranteed Growth Bonds have been bought by more than a million older savers, who made total investments of over £13 billion. These investment figures make the product the best-selling retail financial product in Britain's modern history.

The '65+ Guaranteed Growth Bonds' from National Savings and Investments went on sale in January 2015 and offered savers aged 65 and over an opportunity to boost the return on their savings by investing up to £10,000 per bond at fixed annual interest rates of 2.8% for one year bonds and 4% for three year bonds.

The Bonds are no longer available to purchase with the investment window closing on 15 May 2015.

HMRC ISSUE GUIDANCE ON VAT RECLAIMS BY QUALIFYING CHARITIES

HMRC have issued guidance on VAT reclaims by 'qualifying charities' under recent changes to the rules. 'Qualifying charities' for this purpose are those concerned with palliative care, air ambulance, search and rescue and medical courier charities.

The guidance details which charities are eligible to use the refund scheme to claim a refund of VAT incurred on goods and services used for their non-business activities. It also covers issues such as what to do when circumstances change, what falls within the scope of the refund scheme and how charities can make a claim.

If you would like any guidance on this or any other VAT or charity issue please do get in touch.

HMRC PAYROLL GUIDANCE – HARVEST CASUALS AND CASUAL BEATERS

HMRC have issued useful guidance for those employers who pay casual employees working outdoors harvesting perishable crops, or as casual beaters for a shoot.

The guidance outlines the specific circumstances which must apply in order for these employees to be paid without the deduction of tax. The guidance also stresses that their pay is still taxable income and these employees must ensure that any tax due is paid.

Monthly penalties (of between £100 and £400 depending on the size of the employer) now apply to broadly all employers who fail to submit necessary information to HMRC via the Full Payment Submission (FPS) on or before the time wages are paid to employees. It is therefore important that the rules are complied with and returns are submitted on a timely basis.

Please contact us if you would like help with payroll issues.

DRIVING LICENCE PAPER COUNTERPART NO LONGER VALID

The Driving and Vehicle Licensing Agency has announced that with effect from 8 June 2015 the paper counterpart to the photocard driving licence will not be valid and will no longer be issued. The paper counterpart was introduced to display driving licence details that could not be included on the photocard. These additional details include whether the licence holder is entitled to drive some additional vehicle categories and any endorsement/penalty points. The DVLA is advising that the paper counterpart should be destroyed after 8 June 2015. Licence holders still need to keep their current photocard driving licence.

Those with apaper driving licence (issued before the photocard was introduced in 1998) need to be aware that these licences will remain valid and should not be destroyed. However where a licence holder needs to update their licence photocard licences will be issued.

From 8 June 2015 new endorsements will be recorded electronically, and will not be printed or written on either photocard licences or paper driving licences.

This means that from 8 June 2015 neither the photocard driving licence nor the paper licence will provide an accurate account of any driving endorsements a licence holder may have. This information will instead be held on DVLA's driver record, and can be checked online, by phone or post.

This change does not affect photocard licences issued by DVA in Northern Ireland.

ADVISORY FUEL RATES FOR COMPANY CARS

New company car advisory fuel rates have been published which took effect from 1 June 2015. Please take care to update your expenses payments and note that only some rates have been amended. However, the guidance states: 'You can use the previous rates for up to one month from the date the new rates apply'. The rates only apply to employees using a company car.

The advisory fuel rates for journeys undertaken on or after 1 June 2015 are:

Engine size	Petrol
1400cc or less	12p
1401cc - 2000cc	14p
Over 2000cc	21p

Engine size	LPG
1400cc or less	8p
1401cc - 2000cc	9p
Over 2000cc	14p

Engine size	Diesel
1600cc or less	10p
1601cc - 2000cc	12p
Over 2000cc	14p

Other points to be aware of about the advisory fuel rates:

- Employers do not need a dispensation to use these rates. Employees driving employer provided cars are not entitled to use these rates to claim tax relief if employers reimburse them at lower rates. Such claims should be based on the actual costs incurred.
- The advisory rates are not binding where an employer can demonstrate that the cost of business travel in employer provided cars is higher than the guideline mileage rates. The higher cost would need to be agreed with HMRC under a dispensation.

If you would like to discuss your car policy, please contact us.

BUDGET ANNOUNCEMENTS

George Osborne delivered his second budget of the year on 8 July 2015. Following the general election in May this was the first full Conservative budget since 1996. The budget focussed on reducing the budget deficit and moving from a 'low wage, high tax, high welfare economy' to a 'higher wage, lower tax, lower welfare country.' Brief details of some of the more significant proposals are set out below. Please contact us if you would like any further information on any of the issues.

CHANGES FOR 'BUY TO LET' LANDLORDS

It was announced in the Budget that the government will restrict the amount of income tax relief landlords can claim on residential property mortgage interest costs to the basic rate of income tax.

This means that landlords will no longer be able to deduct all of their finance costs from their property income. They will instead be restricted to the basic rate. To give landlords time to adjust, the government will introduce this change gradually from April 2017, over four years.

This restriction will not apply to landlords of furnished holiday lettings and will not impact on basic rate tax paying landlords.

From April 2016 the government will replace the Wear and Tear Allowance with a new relief that allows all residential landlords to deduct the actual costs of replacing furnishings.

ANNUAL INVESTMENT ALLOWANCE CERTAINTY

The Chancellor announced that Annual Investment Allowance will be set permanently at £200,000 from 1 January 2016 providing certainty for businesses. The AIA provides a 100% deduction for the cost of most plant and machinery (not cars) purchased by a business, up to an annual limit and is available to most businesses.

The AIA was increased to £500,000 from 1 April 2014 for companies or 6 April 2014 for unincorporated businesses until 31 December 2015. However it was due to reduce to £25,000 after this date. The level of the maximum AIA will now be set permanently at £200,000 for all qualifying investment in plant and machinery made on or after 1 January 2016.

Where a business has a chargeable period which spans 1 January 2016 there are transitional rules for calculating the maximum AIA for that period and there will be two important elements to the calculations:

- a calculation which sets the maximum AIA available to a business in an accounting period which straddles 1 January 2016
- a further calculation which limits the maximum AIA relief that will be available for expenditure incurred from 1 January 2016 to the end of that accounting period.

It is the second figure that can catch a business out as demonstrated by the following example:
If a company has a 31 March year end then the maximum AIA in the accounting periods to 31 March 2016 will be:

9 months to December 2015 three quarters of £500,000	£375,000
3 months from January 2016 one quarter of £200,000	£50,000
Total annual AIA using first calculation	£425,000

This is still a generous figure. However if expenditure is incurred between 1 January and 31 March 2016 the maximum amount of relief for will only be £50,000. This is because of the restrictive nature of the second calculation. Alternatively, the business could defer its expenditure until after 31 March 2016. In the accounting period to 31 March 2017, AIA will be £200,000. However tax relief will have been deferred for a full year.

Please contact us for specific advice for your business.

THE FAMILY HOME AND IHT

The government has announced the introduction of a new transferrable nil rate band for the family home. The additional band will apply where a residence is passed on death to direct descendants such as a child or a grandchild. This will initially be £100,000 in 2017/18, rising to £125,000 in 2018/19, £150,000 in 2019/20, and £175,000 in 2020/21. The additional band can only be used in respect of one residential property which has, at some point, been a residence of the deceased.

The allowance is in addition to the inheritance tax nil rate band which is currently set at £325,000. By 2020/21 the total individual nil rate band will therefore total £500,000.

Any unused nil rate band may be transferred to a surviving spouse or civil partner. It will also be available when a person downsizes or ceases to own a home on or after 8 July 2015 and assets of an equivalent value, up to the value of the additional nil rate band, are passed on death to direct descendants. This element will be the subject of a technical consultation and will be legislated for in Finance Bill 2016.

There will also be a tapered withdrawal of the additional nil rate band for estates with a net value (after deducting any liabilities but before reliefs and exemptions) of more than £2 million. This will be at a withdrawal rate of £1 for every £2 over this threshold.

The IHT nil rate band is currently frozen at £325,000 until April 2018. This is to remain frozen until April 2021.

NATIONAL LIVING WAGE

The government has announced the introduction of a new National Living Wage (NLW) for working people aged 25 years and above. The NLW will introduce a premium on top of the national minimum wage (NMW). Initially the premium is set at 70p above the current NMW although this will fall to a premium of 50p when the NMW increase comes into effect in October 2015. Further increases are to be recommended by the Low Pay Commission in order to achieve the government's objective of reaching 60% of median earnings by 2020.

PAYE LATE FILING PENALTIES

HMRC have now issued the first in-year penalties notices to employers with fewer than 50 employees who missed the deadline for sending PAYE information to HMRC.

Rather than issue late filing penalties automatically when a deadline is missed, HMRC have announced that they will 'take a more proportionate approach and concentrate on the more serious defaults on a risk-assessed basis.'

This approach is in line with the likely direction of HMRC's general approach to penalties, outlined in the HMRC penalties: a discussion document which they issued earlier this year. HMRC have confirmed that this 'risk-based' approach will apply to submissions that were late from:

6 March 2015 for employers with fewer than 50 employees; and
6 January 2015 for employers with 50 or more employees.
Penalties for 2015/16 will also continue to be risk-based.

HMRC had previously announced that they will not be penalising minor delays of up to three days.

HMRC are reminding employers:

'Even if employers do not get a penalty, they are required by law to file on time and if they do not may be charged a penalty on a future occasion. The deadlines for sending PAYE information stay the same, including the requirement to send PAYE information on or before the time that employees are actually paid or due to be paid.'

Please contact us if you would like help with your payroll.

CLAIMING THE MARRIAGE ALLOWANCE

The Low Incomes Tax Reform Group published updated their guidance on how to apply for the new transferable personal allowance, known as the marriage allowance, for married couples and civil partners which came into effect on 6 April 2015.

The transfer of part of the personal allowance between spouses (or civil partners) allows eligible couples to save up to £212 tax in a year.

The marriage allowance enables an individual whose income does not allow them to make use of their full personal allowance, currently £10,600, to transfer 10% (£1,060) of this allowance to their partner. Their spouse or civil partner is then able to set their own personal allowance, plus the transferred part of their partner's allowance, against their own income. This increase in usable allowances should result in a tax saving of up to £212 in a year for a couple (20% of £1,060).

The transfer can only be made if the spouse or civil partner who receives the transferred allowance is not a higher-rate taxpayer (meaning that in 2015/16 they have an income of more than £42,385.

Currently an individual can only claim to transfer the marriage allowance to their partner by registering online via GOV.UK. The individual will then be prompted to use GOV.UK's Verify procedure to confirm their identity which requires the individual to have a UK passport or driving licence. A phone option is also available If the individual is unable to confirm their identity using Verify they will be advised to call HMRC's PAYE helpline on 0300 200 3300.

STATISTICS SHOW EMPLOYMENT RISE IN 2015

The Office for National Statistics (ONS) has released figures showing that UK employment rates were up between February and April compared to the three months to January 2015. As detailed in the press release the figures show:

- *'There were 31.05 million people in work, 114,000 more than for the 3 months to January 2015 and 424,000 more than for a year earlier.*
- *There were 22.74 million people working full-time, 362,000 more than for a year earlier. There were 8.31 million people working part-time, 63,000 more than for a year earlier.*
- *The proportion of people aged from 16 to 64 in work (the employment rate) was 73.4%, up slightly from the 3 months to January 2015 (73.3%) and higher than for a year earlier (72.7%).*
- *There were 1.81 million unemployed people. This was 43,000 fewer than for the 3 months to January 2015 and 349,000 fewer than for a year earlier.*
- *Comparing February to April 2015 with a year earlier, pay for employees in Great Britain increased by 2.7% both including and excluding bonuses.'*

Employment Minister Priti Patel said: 'Today's figures confirm that our long-term economic plan is already starting to deliver a better, more prosperous future for the whole of the country, with wages rising, more people finding jobs and more women in work than ever before'.

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