TAX E-NEWS

March 2015

Dear Client,

Welcome to our monthly tax newsletter designed to keep you informed of the latest tax matters.

In this issue we focus on issues to be considered before the end of the tax year and things to look forward to next year. As ever we are here to help you so please contact us if you need further information.

Best wishes

John & David

YEAR END PENSION PLANNING

Take advantage of the pension carry forward rules in order to benefit from any unused allowances from the previous three tax years. This is generally the difference between the old £50,000 limit and the pension input each year and can be added to your relief for 2014/15. Note that the annual pension allowance is £40,000 from 6 April 2015.

For example if your pension input was £20,000 in the 2011/12 tax year, then there is potentially up to £30,000 unused relief from that year available to add to your £40,000 2014/15 pension allowance. You would need to make gross pension contributions of at least £70,000 (£40,000 plus £30,000) to avoid losing this generous relief.

AVOID LOSING YOUR PERSONAL ALLOWANCE

For every £2 that your adjusted net income exceeds £100,000, the £10,000 personal allowance is reduced by £1. Pension contributions and Gift Aid can help to reduce adjusted net income and save tax at an effective rate of 60%.

GET READY FOR THE NEW FLEXIBLE PENSION RULES

For those aged 55 and over and with a SIPP or other money purchase schemes, the new flexible pension rules commence on 6 April 2015. The new rules allow such pensioners to withdraw as much or as little income as they like from their fund but the income drawn will be taxed at their marginal tax rate.

Those affected should discuss the options with an Independent Financial Adviser who will need to work closely with us as the tax payable on the pension will depend upon their level of other income.

MAKE CHARITABLE PAYMENTS UNDER GIFT AID TO SAVE MORE TAX

Higher rate taxpayers should make any charitable payments under Gift Aid so that you obtain additional tax relief. The charity will also be able to reclaim the basic rate tax from HMRC.

YEAR END CAPITAL GAINS TAX PLANNING

Have you used your 2014/15 annual exemption of £11,000? Consider selling shares where the gain is less than £11,000 before 6 April 2015. Also, if you have any worthless shares consider a negligible value claim to establish a capital loss. You may even be able to set off the capital loss against your income under certain circumstances.

TAKE ADVANTAGE OF YOUR 2014/15 ISA ALLOWANCES

Your maximum annual investment in ISAs for 2013/14 is £15,000. Your investment needs to be made before 6 April 2015. In addition, have you thought about investing for your children or grandchildren by setting up junior ISAs or pensions? In the 2014/15 tax year, you can invest £4,000 into a Junior ISA for any child under 18 who does not have a Child Trust Fund.

OTHER TAX EFFICIENT INVESTMENTS

If you are looking for investment opportunities, have you considered the Enterprise Investment Scheme (EIS), which offers income tax relief of 30 per cent as well as capital gains tax relief when you buy shares in certain qualifying companies? An even more generous tax break is available for investment in a qualifying Seed EIS company where income tax relief at 50 per cent is available. It is possible to shelter 50% of your capital gains in 2014/15 and there is a capital gains tax exemption when the shares are sold. Note however that qualifying Seed EIS companies tend to be risky investments so professional advice should be taken.
A 30% income tax break is also available by investing in a Venture Capital Trust.

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INHERITANCE TAX PLANNING BEFORE 6 APRIL 2015

Have you made use of your annual inheritance tax exemptions? The general annual exemption is £3,000 per donor (plus last year's £3,000 exemption if you did not use it). Also consider making regular gifts out of your income to minimise the growth of your estate that will be liable to IHT.

THE £2,000 EMPLOYMENT ALLOWANCE CONTINUES FOR 2015/16

The £2,000 "employment allowance" introduced in 2014/15 continues to be available for 2015/16. Note that this allowance provides relief from paying employers NIC on the first £2,000 of contributions. The £2,000 allowance is set against employers NIC on a cumulative basis during the tax year.

The allowance is available to most employers, although those under common control are restricted to just the one £2,000 allowance. Husband and wife companies with no other employees charged to national insurance may find it tax efficient to change the mix of salaries and dividends to take advantage of the £2,000 allowance. From 6 April 2015 it may be advantageous to increase directors' salaries to the new £10,600 personal allowance instead of the NIC threshold of £8,060 (£155 a week).

The extra £2,540 will save £508 (20%) corporation tax (£1,016 for two directors) whereas the additional employees NIC would be just £305 each.

Husband and wife company - from 2015/16:

Salary -	£10,295 net = gross £10,600
Dividend up to BR band	£28,606 net = gross <u>£31,785</u>
Top of BR band	<u>£42,385</u>
Net cash extracted (each)	£38,901
Total extracted	**£77,802 for couple**

There would however be 20% corporation tax payable. Profits before tax £71,515 @ 20% = £14,303 corporation tax, thus profits before salaries and tax would be £92,715.

This results in an overall tax and NIC rate of just 16.1%.

A salary in excess of £10,600 would attract income tax (at 20%) and employee's NIC at 12%.

AND NO EMPLOYERS NIC FOR THOSE UNDER 21 FROM 6 APRIL 2015

A Government policy to reduce the number of school leavers not in employment, education or training is to abolish employers NIC for those under the age of 21. This exemption starts 6 April 2015 and will not apply to those earning more than the Upper Earnings Limit (UEL), Employers NIC will be charged as normal beyond that limit.

MAXIMISE TAX RELIEF FOR CAPITAL EXPENDITURE

Those running a business should take advantage of the temporary increase in the Annual Investment Allowance (AIA) to £500,000. 5th April 2015 is not relevant for this tax break as the limit continues until 31 December 2015 when it is scheduled to reduce to just £25,000. AIA provides a 100% tax write off for plant and equipment used in your business. This tax relief extends to fixtures and fittings within business premises such as electrical, water and heating systems.

TAX DIARY OF MAIN EVENTS

Date	*What's Due*
01 March	Corporation tax for year to 31/5/14
19 March	PAYE & NIC deductions, and CIS return and tax, for month to 5/3/15 (due 22 March if you pay electronically)
01 April	Corporation tax for year to 30/6/14
05 April	End of 2014/15 tax year, Many tax actions need to be taken by this date (see above). 2014/15 Tax year begins
19 April	PAYE & NIC deductions, and CIS

Please contact our office if you would like to discuss any of the issues raised.