# Potter Baker

Chartered Accountants

**Summer 2015**
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# The Tavistock Team

## Potter Baker are pleased to announce that Ben Sharland has recently passed his final exams and has become a member of the Institute of Chartered Accountants in England and Wales.

Ben joined the Tavistock office in 2006, and has since successfully studied for the Association of Accounting Technicians (AAT), the Association of Tax Technicians (ATT), and now his Chartered exams. Over these years he has gained considerable experience in accountancy and tax and particularly enjoys helping clients with tax planning.

Ben has lived in the area all his life and now lives in the town. He is committed to helping the local business community with their tax affairs and working with firms to help them improve their profitability. He is now undertaking the role of Office Manager at our Tavistock branch. He particularly likes dealing with local businesses and limited companies.

Richard Potter has been with the firm for over 25 years and his extensive experience of accounts preparation, local business and farming matters are invaluable.

Alison Morris has been with the firm for over 10 years, and has developed considerable experience in dealing with a variety of PAYE and payroll issues. If you want to take the stress out of dealing with your own payroll, please give her a call.

We are also pleased that two more locally educated team members, James Clamp and Robert Bailey, are training with the firm. James is already a member of the AAT and is now studying for his ATT exams. Robert is currently studying for his AAT exams. The firm is dedicated to technical excellence, and thorough training is very important in this ever changing business and technological world.

Andrew Baker is the partner overseeing the office and will regularly be in Tavistock on Tuesdays and Fridays. He can advise in relation to any Capital Gains Tax or Inheritance Tax matters that you might have.

The Tavistock team are dedicated to providing a friendly and knowledgeable service to help support the needs of your business.


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NEWSLETTER

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# 2015 Budget Round–up

Chancellor George Osborne unveiled a series of measures affecting businesses and individuals in his March 2015 Budget. Here we outline some of the more significant points from the Budget statement together with some key measures that have recently come into force.

## Business measures

### Research and development (R&D)

With effect from 1 April 2015, the rate of the above the line R&D credit increased from 10% to 11% and the rate of the small and medium (SME) scheme increased from 225% to 230%.

### Venture capital schemes

The Government will, subject to state aid approval, make amendments to the Seed Enterprise Investment Scheme (SEIS), Enterprise Investment Scheme (EIS) and Venture Capital Trusts (VCTs) so that:

- companies will need to be less than 12 years old when receiving their first EIS or VCT investment, except where the investment will lead to a substantial change in the company's activity
- total investment received under the tax advantaged venture capital schemes is capped at £15m, increasing to £20m for knowledge-intensive companies
- the employee limit for knowledge-intensive companies is increased from 249 to 499 employees
- all investments are made with the intention to grow and develop a business
- all investors are 'independent' from the company at the time of the first share issue.

In addition, with effect from 6 April 2015 there is no longer a requirement for 70% of the funds raised under SEIS to have been spent before EIS or VCT funding can be raised.

### The end of the tax return

It was announced that by the end of the next Parliament, every individual and small business will be able to see and manage their tax affairs through a digital account, removing the need for annual tax returns.

Under the plans, by early 2016 all of the UK's five million small businesses and the first ten million individuals will have access to their own digital tax account. It is intended to be simple, personalised and secure, offering an increasing range of integrated services. Agents will be able to act on behalf of individuals when managing these digital accounts.

### Changes to employer NICs

From 6 April 2015 employers are no longer required to pay Class 1 secondary national insurance contributions (NICs) on earnings paid up to the upper secondary threshold to any employee under the age of 21. This applies to both existing employees and new staff taken on by employers. No individual's state pension entitlement will be affected by the measure.

Meanwhile, from April 2015 the £2,000 annual Employment Allowance for employer NICs is extended to care and support workers.

From April 2016 employer NICs up to the upper secondary threshold for apprentices aged under 25 will be abolished.

## Personal measures

### Help to Buy: ISA

A new Help to Buy: ISA will be available through banks and building societies and is designed for people saving for their first home. It has the following features:

- a monthly maximum saving limit of £200 with an opportunity to deposit an additional £1,000 when the account is first opened
- the Government will provide a tax-free contribution equal to 25% of the total amount saved in a Help to Buy: ISA (so for every £200 saved, the Government will contribute a bonus of £50)
- the maximum bonus is capped at £3,000 and there will be a minimum bonus amount of £400
- the bonus will apply to both the amount a person saves into their Help to Buy: ISA and the interest that is built up during the period it is open
- there is no limit on how long the account can remain open.

For basic rate taxpayers, this will be equivalent to saving free of tax for their first home. Accounts will be limited to one per person rather than one per home so those buying together can both receive a bonus. The scheme is available for those saving to buy a first home in the UK worth up to £450,000 in London or £250,000 elsewhere in the UK.

### Personal Savings Allowance

In April 2016, a tax-free Personal Savings Allowance will be introduced for interest income. This applies for up to £1,000 of a basic rate taxpayer's savings income and up to £500 of a higher rate taxpayer's savings income each year. It will not be available for additional rate taxpayers, but will be in addition to the tax advantages currently available to savers from ISAs.

From April 2016 banks and building societies will no longer automatically take 20% in income tax from the interest earned on individuals' non–ISA savings.

### Pension changes

As of 6 April, individuals aged over 55 have been given new pension freedoms, allowing them to decide what to do with their savings and removing the requirement to buy an annuity.

**Please contact us to discuss how the measures announced in the Budget may affect you and your business.**

**Disclaimer:** *The measures detailed on this page were announced in the March 2015 Budget and stand to be implemented at the time of this newsletter going to print. In the event of a second Budget by a new government following the General Election, the measures may be subject to change*

# The taxing side of property

**Recent months have seen a number of significant changes to tax on property, with reform of stamp duty land tax (SDLT) and the introduction of a new Land and Buildings Transaction Tax (LBTT) in Scotland. Here we provide an overview of the new rules.**

## Changes to SDLT

In the 2014 Autumn Statement Chancellor George Osborne announced changes to the rules for calculating the SDLT chargeable on purchases of residential properties, with the scrapping of the 'slab' system in favour of a graduated series of rates and bands. The reforms came into effect on 4 December 2014. The existing SDLT rules for non-residential or mixed properties remain unaltered, and the provisions relating to non-natural persons are also unchanged.

Under the old rules, SDLT was charged at a single percentage of the price paid for the property, depending on the rate band within which the purchase price fell. However, SDLT is now charged at each rate on the portion of the purchase price which falls within each rate band.

The new rates and thresholds are:

| Property value band | Rate |
|---|---|
| £0 – £125,000 | 0% |
| £125,001 – £250,000 | 2% |
| £250,001 – £925,000 | 5% |
| £925,001 – £1,500,000 | 10% |
| £1,500,001 and over | 12% |

HMRC has published an online calculator to help individuals calculate how much SDLT they will need to pay. The calculator can be viewed at: **www.hmrc.gov.uk/tools/sdlt/land-and-property.htm**

## The new Land and Buildings Transaction Tax in Scotland

1 April 2015 saw the introduction of the new LBTT, which replaces the UK system of stamp duty in Scotland.

LBTT is applied to residential and commercial land and buildings transactions (including commercial purchases and commercial leases) where a chargeable interest is acquired.

For residential property transactions, LBTT is charged at the appropriate rate on the amount of the chargeable consideration within the appropriate bands. The LBTT rates for 2015/16 are set as follows:

| Band | Rate |
|---|---|
| Up to £145,000 | 0% |
| £145,001 – £250,000 | 2% |
| £250,001 – £325,000 | 5% |
| £325,001 – £750,000 | 10% |
| £750,001 and over | 12% |

For non–residential property transactions, the rates and bands are:

| | |
|---|---|
| Up to £150,000 | 0% |
| £150,001 – £350,000 | 3% |
| £350,001 and over | 4.5% |

Further information on the new tax can be found at:
**www.revenue.scot/land-buildings-transaction-tax**

**If you would like more advice on tax and property issues please contact us.**

# New UK GAAP – how does it affect your accounts?

**The introduction of new UK GAAP (Generally Accepted Accounting Principles) makes significant changes to the form and content of company accounts. Here we highlight some of the main aspects of the new standards, which came into effect for accounting periods commencing on 1 January 2015.**

The main changes result from the introduction of FRS 102 (Financial Reporting Standard 102 – the Financial Reporting Standard applicable in the UK and Republic of Ireland). Qualifying smaller companies can still use a Financial Reporting Standard for Smaller Entities (FRSSE), though for periods commencing 1 January 2016, it is proposed that they will also move onto FRS 102, with a new, simplified, set of rules then introduced for qualifying micro-entity companies.

## How could FRS 102 impact on your accounts?

Some aspects of the changes include:

**Taxation:** One of the most important impacts is on the tax payable on profits. Broadly, tax is payable on the profits given in the accounts. With certain exceptions, if the accounting profits increase or reduce as a result of a new accounting standard, so does the amount of tax you need to pay. Additionally, deferred tax on revaluations will now be provided for rather than just appearing in a note to the accounts.

**Accounts presentation:** Some of the detailed content within the accounts may be different and use slightly different terminology under FRS 102. For example, there is a greater chance that related party transactions can be disclosed by category without the need for the names of related parties.

**Investment properties:** These are properties held not for company use but to make money from, whether by rental income or by eventual sale proceeds. The definition has been widened such that properties which were excluded from the definition (owner occupied investment properties and properties rented to other group companies) are no longer excluded.

**Goodwill (and other intangibles):** In principle, goodwill should be written off over its estimated life and where that is being done already there may be no change. However, new UK GAAP is stricter in this area which could lead to increased focus on this estimated life. Also, under the new rules, it is more likely that 'intangible assets' (other than goodwill) appear in the accounts.

**Financial instruments:** This is the technical name for a few items that may appear in your accounts such as cash, debtors, creditors, loans payable and receivable and derivatives. Companies may have had financial instruments where new UK GAAP requires a different treatment.

**FRS 102 and UK GAAP are complex topics. Please contact us to find out how FRS 102 could impact your accounts.**

# Tax Round-up

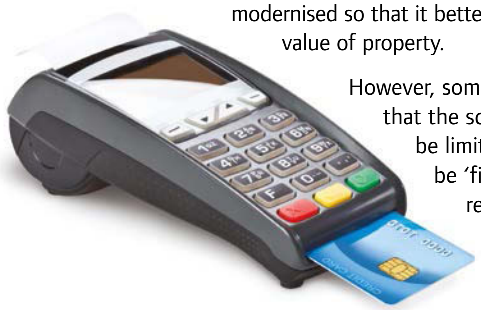
## Retailers welcome 'radical' business rates review

Retailers and business groups have welcomed the launch of a 'radical review' of the business rates system in England.

Chancellor George Osborne confirmed the plans in the March 2015 Budget, stating that the current business rates system 'has not kept pace with the needs of a modern economy and changes to our town centres'.

Business rates are currently calculated according to the rental value of the property a company uses. However, businesses have long campaigned for an overhaul of the system, with the Confederation of British Industry arguing that its 'outmoded, clunky and regressive' nature is contributing to the demise of the UK High Street.

The review will examine the structure of the current system, considering how businesses use property, what the UK can learn from other countries about local business taxes, and how the system can be modernised so that it better reflects changes in the value of property.



However, some experts have warned that the scope of the review may be limited if the outcome is to be 'fiscally neutral', as many reports suggest. The review is set to report back by the 2016 Budget.

## New Marriage Allowance comes into effect

6 April 2015 saw the introduction of a new tax break for certain married couples and civil partners.


The Marriage Allowance is available to couples born on or after 6 April 1935 where one partner's earnings (including pensions, savings and investments) are less than the income tax personal allowance of £10,600 for 2015/16.

Under the scheme, individuals may transfer up to £1,060 of their unused personal allowance to their spouse or civil partner, as long as their partner's earnings fall within the basic income tax threshold of £42,385.

The tax break is expected to apply to more than four million married couples and 15,000 civil partnerships, and will save couples up to £212 a year.

Couples can register for the allowance online at any point during the tax year at **www.gov.uk/marriage-allowance**.

## Tax Tip

### New rules for ISAs

Existing Child Trust Funds can now be transferred to Junior ISAs, offering young savers more choice and potentially better returns.

The overall ISA investment limit has risen to £15,240 for 2015/16, while the Junior ISA and Child Trust Fund limit is now £4,080.

In addition, regulations are set to be introduced in Autumn 2015 (following consultation on the technical details) to enable ISA savers to withdraw and replace money from their cash ISA, without it counting towards their annual ISA subscription for that year.

**Please contact us for more information.**

## Reminders for your Summer Diary

**June**

30 End of CT61 quarterly period.

Annual adjustment for VAT partial exemption calculations (March VAT year end).

**July**

6 Deadline for submission of Form 42 (transactions in shares and securities).

Deadline for submission of EMI40 (EMI Annual Return).

File Taxed Award Scheme Returns, file P11Ds, P11D(b)s and P9Ds. Issue copies of P11Ds or P9Ds to employees.

Deadline for entering into a PAYE Settlement Agreement for 2014/15.

14 Due date for income tax for the CT61 period to 30 June 2015.

17/22 Quarter 1 2015/16 PAYE remittance due.

Final date for payment of 2014/15 Class 1A NICs.

31 Second payment due date for 2014/15 Class 2 NICs.

Second self assessment payment on account for 2014/15.

Annual adjustment for VAT partial exemption calculations (April VAT year end).

Liability to 5% penalty on any tax unpaid for 2013/14.

Deadline for tax credit Annual Declaration (if estimated, final figures required by 31/01/16).

**August**

2 Submission date of P46 (Car) for quarter to 5 July.

31 Annual adjustment for VAT partial exemption calculations (May VAT year end).