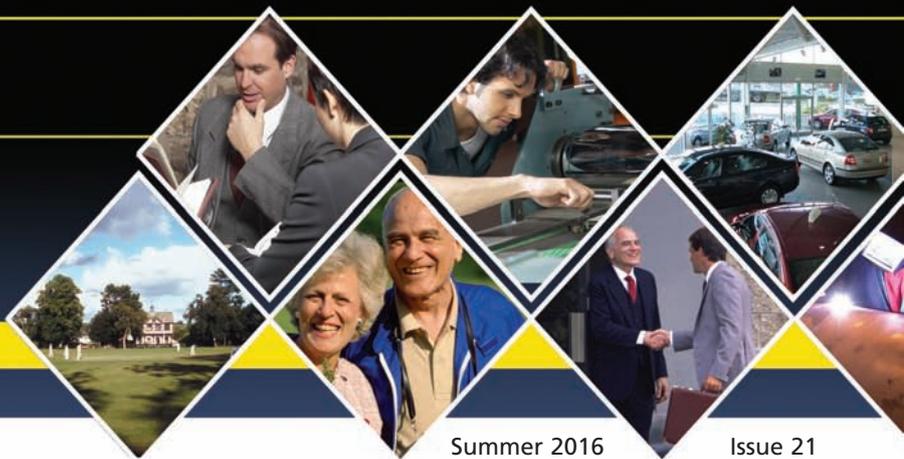


WHEELERS WORDS



Wheeler Chartered Accountants and Tax Consultants

Summer 2016

Issue 21

Buying and Selling Commercial Property



The March 2016 Budget made significant changes to Stamp Duty Land Tax (SDLT) charged on the purchase of non-residential property.

In changes introduced in December 2014, SDLT on residential property saw a substantial overhaul, with the abolition of a single rate for banded property values. Under the old system, a small increase in the purchase price of the property could see huge increases in the SDLT payable. This system was replaced by one that applied the rates of SDLT to "slices" of the purchase price, so that only the amount in excess of each threshold is charged at the higher rate.

This new way of charging SDLT was extended to non-residential and mixed use properties with immediate effect after the 2016 Budget. Under the new regime, the first £150,000 of the purchase price will be free of SDLT, the next £100,000 (so from £151,000 to £250,000) will be subject to SDLT at 2% and anything above £250,000 at 5%. The Government has reported that anyone purchasing a property of up to £1.05 million will pay either the same or less SDLT under the new rules.

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Business Rate Boost for Small Businesses

The Chancellor's March 2016 Budget brought some good news for small businesses with the decision to permanently double small business rate relief and raise the threshold to allow relief to be available to many more businesses. This measure will give 100% relief to all businesses with a rateable value of £12,000 or under.

Business premises with a rateable value of between £12,000 and £15,000 will get tapered relief. Higher rate relief is to go up from £18,000 to £51,000.

The change is likely to mean many shops, pubs and offices will no longer have to find funds to meet business rate bills, and will give a much-needed boost to many town centres. However, the measure is not due to take effect until April 2017.

In the meantime, businesses will get 100% relief on premises with a rateable value of up to £6,000

with a sliding scale of relief for premises with rateable values of between £6,000 and £12,000.

The Chancellor also announced that future business rate levels would no longer be linked to the Retail Price Index (RPI), but would move in line with the generally lower percentage of inflation shown in the Consumer Price Index (CPI). CPI is seen to be a more accurate reflection of the day-to-day cost of living as it doesn't take into account some factors such as the cost of housing.

The measure may go some way to compensate small businesses for the increased cost of employing staff, with the introduction of the National Living Wage that took effect in April 2016.



CGT Rate Drop

will benefit those who buy and sell for profit



One unexpected rabbit that Chancellor George Osborne pulled out of the hat in his Budget in March was a substantial drop in the rate of Capital Gains Tax (CGT). The new rates take effect from 6 April 2016 and will be of benefit to anyone who is looking to sell assets at a profit.

The new rates are 10% - down from 18% - for basic rate taxpayers and 20% - down from 28% - for higher and additional rate taxpayers. This is likely to be of interest to those with stocks and share investments, for example.

However, anyone looking to sell a property that is not their main home will be disappointed to hear that the old rates of 18% and 28% will still be applied to the gains made on residential property sales. Whilst the principal private residence exemption still applies to a property that is your main home, owners of second homes or buy-to-let landlords will be affected, if they sell at a profit.

Profits made by executives in private investment companies - known as carried interest - will also still be taxed at the old higher rates.

It is also important to remember that every individual has an annual CGT allowance which, for the 2016/17 tax year, stands at £11,100.

Capital Gains Tax (CGT) is not due on the sale of some items such as personal possessions - items that HM Revenue & Customs describes as chattels. Chattels might include antiques or jewellery. The exemption only applies if the value of the asset is less than £6,000. More valuable items such as caravans and boats that have an expected life of no more than 50 years are also usually exempt: they are classed as wasting assets. Finally, normal cars are fully exempt from CGT.

If you would like advice about the potential CGT due on assets to be sold, please contact **Mary Plant** at mary.plant@wheelers.co.uk or call her on **01945 582547**.

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Buying and Selling Commercial Property



Non-residential property includes all forms of commercial property, agricultural land and any other land not used for residential property. The category also includes mixed use properties such as shops with a flat above.

SDLT is also payable on all leasehold purchases and the charge is based on the purchase price of the lease - known as the lease premium.

Where a new leasehold property is involved, further charges may be involved, reflecting the rental value of the property.

The rules surrounding SDLT and residential landlords are also changing. April 2016 has seen the introduction of a SDLT surcharge of 3% for the purchase of any residential property that is not for use as your main residence.

It was broadly expected that the Chancellor would come up with special concessions for multiple property landlords or corporate investors in the Budget, but this didn't happen. It's worth noting that non-residential SDLT rates apply to any purchases involving 6 or more residential properties in a single transaction.

For help in calculating the SDLT on any property transactions, please contact **Mary Plant** at mary.plant@wheelers.co.uk or call her on **01953 582547**.

Construction Industry Scheme



From April 2016 it has become compulsory for CIS returns to be filed online, in a move that aims to reduce administrative burdens. Amendments, messaging and alerts are due to follow suit by moving online too.

Some subcontractors will have opted to have gross payment status, which allows payments to be received by them from the main contractor without a tax deduction. In order to qualify for gross payment status, you must meet certain minimum criteria in respect of your turnover. The turnover figure is set at £20,000 per business owner, partner or director, with a special minimum turnover threshold for multiple partner or director businesses which for the 2015/16 tax year was set at £200,000. The good news for multiple partner/director businesses is that this threshold has been halved from April 2016 to £100,000, allowing many more subcontractor companies and partnerships to apply for the gross payment scheme.

April 2017 will see the online communication rules extended to the verification process, which will force contractors to check the status of their subcontractors online.

As with many new HMRC online services being provided to businesses, there have been some teething problems, but hopefully these will be ironed out over the coming months. If, however, you are experiencing difficulty with your online filing or would like to take advantage of our specialist CIS filing service, please contact **Helen Garrett** at helen.garrett@wheelers.co.uk or call her on **01945 582547**.



Other Budget News

for Individuals

Increases in Personal Allowances:

Despite the pressures on the economy, the Chancellor managed to squeeze some tax measures out of the pot to help those on low incomes. The Personal Allowance is set to rise to £11,000 in the new 2016/17 tax year and will go up again to £11,500 for 2017/18. Middle England should benefit too, with the rise in the higher rate tax threshold: basic rate tax will be payable by those earning up to £43,000 in 2016/17 and up to £45,000 in 2017/18.

Encouraging the Sharing Economy

Micro-entrepreneurs including those who buy and sell on eBay and other internet sites will benefit from a new £1,000 tax-free allowance from April 2017. It gives individuals the chance to make up to £1,000 from online sales without having to declare or pay tax on the income, although you won't be able to deduct expenses from your income to arrive at this figure. If your income is over £1,000, you can deduct the exemption from your earnings rather than your actual expenses, if you wish.

There's a further £1,000 allowance for property income such as rental on all or part of your home. This is again aimed at those who do business online through sites such as Airbnb. It's interesting to note that you can be eligible for both the Rent-a-Room allowance and the new property income allowance, provided they apply to income from different parts of your property. The Rent-a-Room allowance currently stands at £7,500, so you could potentially rent out a spare room for that figure and then rent out storage in your garage for £1,000 without incurring a tax liability on either income sources.

For help and advice with your personal taxation, contact **Mary Plant** at mary.plant@wheelers.co.uk or call her on **01945 582547**.

AUTO-ENROLMENT: ready or not, it's here

Auto-enrolment for workplace pensions is now affecting many thousands of small businesses and it is clear that many are unprepared for the amount of work involved in complying with the rules. In brief, any business running a payroll will need to set up a scheme and automatically enrol their employees into it, with very few exceptions.

It doesn't matter if your workers are low-paid, part-time or temporary: if you have employees then you must have a scheme. Even if your workers earn less than the thresholds set for automatic enrolment, you must have a scheme in place and give them the opportunity to opt into it.

Auto-enrolment must be done in time for the "staging date" that your business has been allocated by the Pensions Regulator. If you haven't already been notified of your staging date, you can find it by entering your PAYE reference into the online form at <http://www.thepensionsregulator.gov.uk/en/employers.aspx>. There are potentially big fines if you fail to be ready in time.

Wheelers Payroll Bureau is helping many of our clients to set up and run their workplace pension schemes. If you would like to take advantage of our advice and support, contact **Helen Garrett** at helen.garrett@wheelers.co.uk or call her on **01945 582547**.

for Businesses

Corporation Tax: a downward trend

Companies will have been pleased to hear the Chancellor announce that the rate of Corporation Tax will continue to fall in the years ahead. The drop to 19% in 2019 had already been announced, but Mr Osborne confirmed a further drop in 2020 to 17%.

Loans to Company Owners/Directors

Not such good news for business owners and directors is the announcement that loans from the business to them personally could suffer tax at 32.5% from 6 April 2016 onwards – an increase in the loans to participators tax rate of 7.5%.

Self Employed National Insurance Contributions

Class 2 National Insurance Contributions (NIC) are to be abolished from April 2018. This follows on from the changes made last year when Class 2 NICs stopped being collected either six-monthly or by direct debit and were rolled up with Class 4 NICs and paid through the self-assessment tax return process. The Government will be providing more information nearer the time about how self-employed workers will be able to continue to build state pension entitlement once Class 2 NICs have disappeared.

VAT Thresholds

The turnover threshold at which businesses should register for VAT has gone up by £1,000 from April 2016 to £83,000. Deregistration can happen if turnover falls below £81,000.

If you would like to discuss your business's finances and tax liabilities, contact **Helen Garrett** at helen.garrett@wheelers.co.uk or call her on **01945 582547**.





Over recent years, the Chancellor has introduced changes to the way that savings income has been taxed. From 6 April 2015 eligible individuals' savings income of up to £5,000 could qualify for the new starting rate of tax of 0%. This rate is only available if your income in total is less than the personal allowance plus £5,000 savings band.

In addition to the above, from April 2016 a new personal savings allowance has been introduced. This allowance will be £1,000 for basic rate taxpayers and up to £500 of higher rate taxpayers' savings income each year. There is no allowance available for additional rate taxpayers. This allowance is in addition to the tax advantages currently available to savers from Individual Savings Accounts (ISAs).

Following on from the above changes, many individuals are no longer expected to need to pay tax on their savings income. In view of that, from April 2016 the automatic deduction of 20% income tax by banks and building societies on non-ISA savings has ceased.

The range of ISA accounts has also been extended to include a new Lifetime ISA which will be available from April 2017 for adults under the age of 40. This account will include a bonus from the Government if certain criteria are met.

EMPLOYER UPDATE

National Living Wage:

April 2016 saw the introduction of the National Living Wage for workers aged 25 and over. This new mandatory pay level is set at £7.20 per hour and is an increase of 50p per hour on the National Minimum Wage that was set last October. Workers aged 21 to 24 are still subject to the National Minimum Wage of £6.70 per hour.

Employers Allowance:

There is a £1,000 bonus for employers in the 2016/17 tax year in respect of Employers' National Insurance Contributions (NICs) with the increase in the maximum Employers Allowance from £2,000 to £3,000. It is set against the total Employer NICs for the tax year and could potentially see many small businesses paying no Employer NICs at all. Charities and amateur sports clubs who employ staff can also claim the allowance, although micro-companies – ie those who only employ the business owner – and a few other exceptions are excluded from the scheme.

Employee Expenses:

Employers who pay expenses to employees for travel and subsistence in the performance of their duties will be aware that, until now, it had been necessary to register for a dispensation for those expenses so that they didn't need to be included on the P11D form. This system of dispensations was abolished with effect from 6 April 2016 and a new regime put in place. Under the new rules, certain qualifying expenses and benefits that might previously have been covered by the dispensation process are now subject to an exemption.

The exemption only applies for expenses or benefits which are not taxable benefits and includes travel and subsistence, fees and subscriptions and business entertainment. However, the exemption cannot be applied to benefits or expenses that are provided under a salary sacrifice arrangement.

The rules are likely to be more strictly applied than under the old dispensation framework. Non-compliance may be subject to P11D penalties or result in charges for arrears of tax, NIC, interest and penalties.

If you are a business whose employees incur expenses for travel and subsistence, you can adopt an alternative approach to reimbursing the employee's actual costs: you can set up scale rates using approved HMRC figures which can be used for meals and mileage or, if you want to use different figures, you can ask HMRC to approve your proposed rates by applying online. Other types of expenses may also be approved by applying to HMRC.

One important element to the new rules is that you must operate a system for checking that your employees are incurring and paying the expenses involved. There is guidance from HMRC on how that checking should happen: talk to us about putting compliant checking systems in place.

This is a complicated area for employers and advice can make a difference: the team at Wheelers are experienced in helping with all aspects of employee expense claims and the complexities of P11D returns. If you would like help in this area, contact **Mary Plant** at mary.plant@wheelers.co.uk or call her on **01945 582547**.

Staff News



We're happy to report that **Jess** from our Reception team has had a baby girl, **Seren Isla**, in February – a sister for **Ieuan**. Many congratulations to **Jess** and her partner **Alex**.



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