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PERSONAL ALLOWANCES – USE THEM OR LOSE THEM!

Business owners should consider covering the Personal Allowance (£10,600 for 2015/16) with earned income (provided, of course, that work is performed in the business to justify the payment).

For non working spouses or partners, or those with income taxable only at the starting or basic rate, consider transferring investments to them if you suffer income tax at 40% or higher.

Care may need to be given to your level of income if it is likely to exceed £27,700 for either spouse or civil partner in 2015/16 and either of you was born before 6 April 1938.

In 2015/16 the Personal Allowance is reduced by £1 for every £2 by which your overall income exceeds £100,000. This tapered reduction gives an effective tax rate of up to 60%. You may therefore want to consider reducing your income by making a pension contribution or choosing tax-efficient investments so that you can still benefit from the full allowance.

Please contact the member of our tax services team who deals with your Tax Return for more specific advice.

MARRIAGE ALLOWANCE

The Marriage Allowance came into force on 6 April 2015 and lets you transfer 10% of your Personal Allowance to your husband, wife or civil partner. For 2015/16 this equates to £1,060 and gives a basic rate tax saving of £212 for the year.

The transfer is conditional on being married or in a civil partnership and:-

- One of the couple needs to be earning £10,600 or less, i.e. the transferor must have some unused personal allowance;
- Neither spouse nor civil partner paying tax at the higher rate, i.e. the transferee has income of up to £42,385 in 2015/16; and
- Neither spouse nor civil partner making a claim for the Married Couple's Allowance (which applies when one of the couple is born before 6 April 1935).

Subject to all of the above conditions being met, you can apply online to transfer part of your Personal Allowance to your spouse or civil partner. In order to apply you need:-

- Your own and your partner's National Insurance numbers; and
- Proof of identity, being either:
  - The last four digits of the account that your Child Benefit, Tax Credits or pension is paid into; or
  - The last four digits of an account that pays you interest; or
  - Details from your P60.

The in-year application must be made online (www.gov.uk/marriage-allowance) before 5 April 2016 if it is to apply. If your application is successful the relevant part of your Personal Allowance will transfer automatically to your spouse or civil partner every year until one of you cancels the Marriage Allowance claim or your circumstances change.

Unfortunately, HM Revenue & Customs (HMRC) do not currently have a facility in place for agents to make applications on behalf of clients. As such, please note that Ward Goodman are unable to complete the application for you. However, if you do make an application, please let us know so that we can note your file accordingly.

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PENSIONS

Contributions paid to 5 April 2016 will qualify for full tax relief in 2015/16 subject to certain limits. Currently the basic rate of Income Tax is 20% and HMRC will add this amount to contributions to your pension fund.

Individuals are able to contribute a fixed maximum amount each tax year, known as the annual allowance. The annual allowance currently stands at £40,000 and any excess contributions (including contributions your employer makes) above this level can give rise to a tax charge. If contributions exceed the annual allowance you may be able to bring forward unused allowances from earlier tax years, but the facility is limited to three prior years.

Pension contributions have become an increasingly complex area and, following the Summer Budget 2015, further changes were announced. From 6 April 2016:-

- The pension input period (the period over which contributions are measured) will be aligned with the tax year. Prior to this change, transitional rules are in place for 2015/16 which allow a one-off adjusted annual allowance of £80,000 subject to certain restrictions.

- High earners will face a tapered reduction of the annual allowance of £1 for every £2 of income above £150,000. The tapering applies once two thresholds have been crossed and is limited to a maximum reduction of £30,000.

- The total tax-approved pension savings (the 'lifetime allowance') will be reduced from £1,250,000 to £1,000,000.

If you are considering contributions before 5 April 2016 that may increase your total for the year above the annual allowance or would like further information on the impact of the Budget changes, please contact Gareth Simon in our financial services department.

DIVIDEND TAXATION ALLOWANCE

The taxation of dividends will change from 6 April 2016 with the replacement of the old notional dividend tax credit with a new Dividend Taxation Allowance of £5,000 each tax year, together with changes to the dividend tax rates.

Whilst dividends will continue to be taxed as the highest slice of your income, the first £5,000 of dividend income will effectively fall into a zero rate tax band. Dividends in excess of this will be taxed at the following rates for the year ending 5 April 2017:-

Band	Amount (£)	Rate (%)
Basic rate	0 - 32,000	7.50
Higher rate	32,001 - 150,000	32.50
Additional rate	Over 150,000	38.10

If you would like to understand the impact of these changes in more detail, please contact the member of our tax services team who deals with your Tax Return.

DIVIDENDS/BONUSES FOR COMPANY OWNERS

Company owners should consider taking dividends before 5 April 2016 in order to fully utilise their basic rate band (£31,785). Planning should also be undertaken to put in place a suitable remuneration strategy ahead of the Dividend Tax Allowance coming into force in 2016/17.

If you are a director and have an overdrawn loan account with your company consider paying a dividend or bonus to reduce or clear the account prior to 5 April 2016. This will minimise any benefit in kind arising and possible tax consequences for the company itself.

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BENEFITS IN KIND

If you are provided with a company car, consider again whether or not this is still the most tax efficient way to own it, particularly if you are also provided with fuel. The level of CO_2 emissions and the list price of the car when new are now the most important factors and it may be that changing to a more tax efficient vehicle is of benefit to yourself and the company.

A mobile or smartphone is one of the few tax free benefits left - if you are provided with a company mobile phone as an employee or director and the contract is between your employer and the mobile phone provider, it is tax free.

From 6 April 2016 the old dispensation agreements will be replaced by an exemption for paid or reimbursed expenses. Expenses or benefits that would have come under any such agreement will now be exempt from Income Tax and it is the responsibility of the employer to make this determination.

For further details please call us.

LANDLORDS

From 6 April 2016 the Wear & Tear Allowance for furnished property is being replaced by a relief that enables all landlords to deduct the costs of replacing furnishings in the property, although this will not include the initial cost of furnishing the property.

The new relief will cover the capital cost of replacing items provided for the tenant's use in the property, such as movable furniture (e.g. beds and sofas), televisions, fridges/freezers, carpets and floor coverings, curtains, linen and crockery or cutlery. It may be beneficial to defer the replacement of such items until after 5 April 2016.

Fixtures integral to the building, such as baths, fitted kitchen units and boilers are not included, as the replacement of these items would normally be a deductible expense as a repair to the property itself.

From 6 April 2017 higher rate relief on mortgage interest payments as a deduction against rental income will be gradually reduced over a period of four years. Planning, such as altering the beneficial ownership of joint property between spouses or partners to ensure mortgage interest relief is not lost, should be considered.

If you would like further details on these forthcoming changes, please get in touch.

PERSONAL SAVINGS ALLOWANCE

The introduction of the Personal Savings Allowance (PSA) from 6 April 2016 will enable basic rate taxpayers to earn up to £1,000 in savings tax free. From this date banks will also stop deducting basic rate tax from savings.

The PSA is restricted to £500 for higher rate tax payers. Additional rate taxpayers (those with income exceeding £150,000) are not entitled to any PSA.

Savings include interest from savings with bank and building society accounts, interest distributions from authorised unit trusts, income from government or company bonds and most types of purchased life annuity payments.

You may wish to consider: (i) arranging your savings to benefit from the PSA if you and your spouse or partner are taxable within different rate bands; and (ii) completing a Tax Return if you are likely to have savings in excess of the PSA that could give rise to a tax liability.

We are happy to carry out a review of your tax position which you can arrange by contacting the member of the tax services team who deals with your Tax Return.

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SAVINGS AND INVESTMENTS	An Individual Savings Account (ISA) is a tax efficient way for you to save or invest. There are two types of ISA – a Cash ISA and a Stocks & Shares ISA. Each tax year you can save or invest up to a certain amount in an ISA, the ISA allowance. The ISA allowance for 2015/16 is £15,240 which can be held in a Cash ISA, a Stocks & Shares ISA or a mixture of the two. If you do not use this, you will lose it. A further investment can be made into an ISA immediately after 5 April 2016. A similar Junior ISA also exists for children under the age of 18 and who do not have a Child Trust Fund. The Junior ISA limit is £4,080 for 2015/16. If you are interested in opening an ISA or Junior ISA, or advice on investments generally, please contact Gareth Simon.
CAPITAL GAINS TAX FOR INDIVIDUALS	With Capital Gains Tax rates of 10%, 18% and 28% and an Annual Exemption for gains made in the year to 5 April 2016 of £11,100 (which is lost if not used), consider:- • Disposing of capital assets to utilise your Annual Exemption or any capital losses available either in the tax year or brought forward for earlier years. • Transferring assets between spouses or civil partners (which is tax neutral) to provide a combined Annual Exemption of £22,200, the potential for utilising losses one of you has and/or the benefit of a lower tax rate. Please contact us to obtain advice on the best course of action and to ensure that any available reliefs due are claimed.
INHERITANCE TAX	There are a number of life time exemptions which, if not used, will be lost. The value of the annual exemption per individual donor is £3,000 (plus £3,000 for the previous tax year if not utilised) and this can be gifted free of Inheritance Tax prior to 5 April 2016. Gifts between UK domiciled spouses or civil partners are ignored. Gifts of up to £250 each to any individual(s) not receiving any other gifts from you in the year to 5 April 2016 are also IHT free. There are other exemptions, such as regular gifts out of income which can be a valuable part of Inheritance Tax planning. If you wish to discuss ways in which you can save Inheritance Tax, please do not hesitate to contact us.
EIS, SEIS AND VCT SCHEMES	Enterprise Investment Schemes (EIS), Venture Capital Trusts (VCT) and Seed Enterprise Investment Schemes (SEIS) offer investors Income Tax relief and/or Capital Gains Tax relief on specified levels of investment into qualifying companies. These schemes are also available as incentives to encourage tax efficient investment into businesses you own, and again we would be delighted to discuss with you how we could help secure this for investors or indeed for you if you are planning to start a new business. For specific advice in this area regulated by the Financial Services Authority, please call us and speak to Gareth Simon.
HIGH INCOME CHILD BENEFIT CHARGE	Income Tax charges have been in place since January 2013 and affect families that claim Child Benefit and where at least one member of a household has overall income of more than £50,000 per annum. In that case, the charge is added to the higher income person's tax bill and will effectively reduce the family's child benefit by 1% for each £100 of the excess income over £50,000. The whole of the child benefit is lost when the higher income person's income is £60,000 or more. Please contact us if you or your partner claim Child Benefit and you think that the Income Tax charge may affect either of you.
CAP ON UNLIMITED INCOME TAX RELIEFS	Since 6 April 2013 there has been a cap on certain Income Tax reliefs including losses and interest paid. The total of such reliefs claimed in a tax year cannot exceed the greater of £50,000 or 25% of income. The cap does not apply to reliefs which are already capped such as pension contributions, EIS, SEIS and VCT Schemes.

This appendix contains general advice only based on our understanding of current legislation. It should not be relied on as a basis for any decision or action. Please contact us for advice specific to your situation.