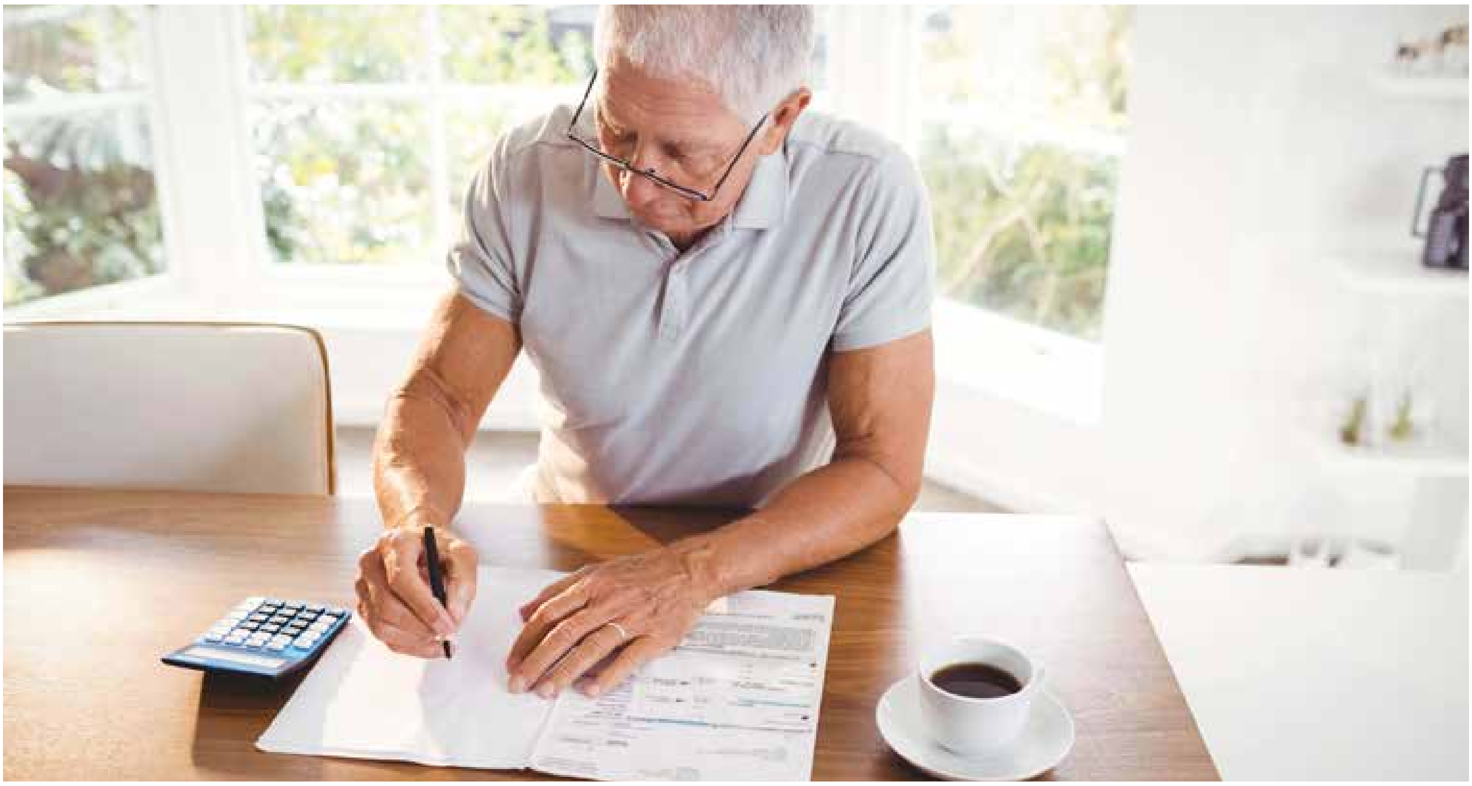
POWER IN NUMBERS

ROTHMANS CHARTERED ACCOUNTANTS NEWSLETTER ISSUE 20 2016

ROTHMANS
everyone counts



DIVIDEND ALLOWANCE AND RATES OF TAX

Further details have been provided of the new rates of income tax on dividends and the new Dividend Allowance which will apply to dividends received on or after 6 April 2016.

The rates of income tax on dividends will be:

- 7.5% for dividend income within the basic rate band (ordinary rate)
- 32.5% for dividend income within the higher rate band (upper rate)
- 38.1% for dividend income within the additional rate band (additional rate)

There will also be a new Dividend Allowance of £5,000 where the tax rate will be 0% – to be known as the dividend nil rate. The Dividend Allowance applies to the first £5,000 of an individual's taxable dividend income and is in addition to the personal allowance.

Where an individual receives dividend income, from UK or non-UK resident companies, that would otherwise be chargeable at the dividend ordinary, upper or additional rate, and the income is less than or equal to £5,000, the dividend nil rate will apply to all of the dividend income. Where the dividend income is above £5,000, the lowest part of the dividend income will be chargeable at 0%, and anything received above £5,000 is taxed at the rate that would apply to that amount if the dividend nil rate did not exist.

In calculating the tax band into which any dividend income over the £5,000 allowance falls, savings and dividend income are treated as the highest part of an individual's income. Where an individual has both savings and dividend income, the dividend income is treated as the top slice.

The following example illustrates how the new Dividend Allowance and rates will work:

An individual has a salary of £40,500 and dividend income of £7,000 in 2016/17. Her total income is therefore £47,500. The total of her personal allowance and basic rate band comes to £43,000. Therefore part of her dividend income would be taxed at the upper rate were it not for the operation of the new dividend nil rate.

So £5,000 will be taxed at 0% and £2,000 will be taxed at the upper rate of 32.5%

If you would like advice on how the new dividend rules will affect you, please contact us.

Listen to the experts discuss the new dividend rules at rothmansllp.com/news-events/lets-talk-tax/

ICAEW CHARTERED ACCOUNTANT

Chartered Tax Advisers

WORKPLACE PENSIONS - DON'T IGNORE IT

The Department of Work and Pensions and the Pensions Regulator have launched a new advertising campaign promoting auto enrolment which aims to change the country's perception of pensions in the workplace.

Workie, 'a striking physical embodiment of the workplace pension', will be seen visiting people in different work environments over the coming months, asking them not to ignore him.

The advertisements come with a message, whilst automatic enrolment into workplace pensions has been rolling out across the UK since 2012, it is only now that 1.8 million small and micro employers need to act. In a phased process over the coming months, every employer will have to enrol their eligible staff into a pension scheme, by reference to their staging date.

Since 2012, more than 5.4 million workers have been automatically enrolled into a workplace pension by almost 61,000 employers. By the time the process is complete in 2018, it is estimated that around 9 million workers will either be newly saving or saving more into a workplace pension.

Staging Dates

Each employer is assigned a date on which its duty to auto-enrol commences. This is known as a staging date and is based on the number of employees in the PAYE scheme(s) operated by that employer.

To confirm your business' staging date you can use the regulator's interactive tool atthepensionsregulator.gov.uk/employers/tools/staging-date.aspx. You will need your business' PAYE reference to do so.

Rothmans are working with employers to help them decide on the best course of action for their business and working with them to put the required changes in place.

Please contact your local Rothmans office for further information.

ECONOMIC SEMINAR

One of HSBC's senior economic commentators gave businesses across the South an insight into the outlook for Europe's economic climate and the prospects for UK business going forward.

Liz Martins, from the bank's Global and European Economic team, works alongside the Chief UK Economist, Simon Wells. She is responsible for forecasting short-term and medium-term indicators for the UK economy, with a particular specialisation in inflation.

Over 150 people attended the seminar for clients of both Rothmans and HSBC bank, during which she gave us valuable insight to the current economic climate in both the UK and further afield, as well as those factors that will affect future growth, inflation and interest rates.

Andrew Bennett, Rothmans Partner, said: "The seminar provided valuable insight and market intelligence about the challenges and opportunities that UK businesses face and how to stay on top of developments in the marketplace both here and internationally."

This economic seminar is one of a number of popular events held by Rothmans throughout the year to support businesses in the South, including an expert view of the budget proposals in the spring, and a business leaders lecture from those involved in the top brands in British industry.

TAX AND PROPERTY – KEY ANNOUNCEMENTS

Higher Stamp Duty Land Tax (SDLT) on purchases of additional residential properties
Higher rates of SDLT will be charged on purchases of additional residential properties (above £40,000), such as buy to let properties and second homes, from 1 April 2016. The higher rates will be three percentage points above the current SDLT rates.

The higher rates will not apply to purchases of caravans, mobile homes or houseboats, or to corporates or funds making significant investments in residential property. The government will consult on the policy detail, including whether an exemption for corporates and funds owning more than 15 residential properties is appropriate.

Restricting finance cost relief for individual landlords
New legislation will mean that landlords will no longer be able to deduct all of their finance costs from their residential property income to arrive at their property profits. They will instead receive a basic rate reduction from their income tax liability for their finance costs. This will be introduced gradually from 6 April 2017.

The introduction of a payment on account of any CGT due on the disposal of residential property
From April 2019, a payment on account of any CGT due on the disposal of residential property will be required to be made within 30 days of the completion of the disposal. This will not affect gains on properties which are not liable for CGT due to Private Residence Relief.

Currently, CGT is not payable on a disposal of an asset until 31 January following the tax year in which a disposal is made. So a disposal made on the 6 April 2016 will not result in a tax bill until 31 January 2018.

Please contact us if you would like to discuss any of the proposed changes.

DIGITAL TAX UPDATES

Following concerns raised in response to the governments' proposals to 'Make Tax Digital' the government has issued a myth buster which hopes to lessen the fears of many regarding the government's proposals for quarterly updates.

The myth buster can be found on the GOV.UK website and we will keep you informed of further developments.

EMPLOYMENT ALLOWANCE: INCREASE TO £3,000

The NICs Employment Allowance was introduced in April 2014, for the purpose of supporting businesses and charities in helping them to grow by cutting the cost of employment. Eligible employers can claim the allowance, which currently reduces their Employer NICs bill by up to £2,000 a year. This is an ongoing allowance. Over a million employers have benefited from the allowance since its introduction.

The government has announced that they will increase the Employment Allowance to £3,000 from April 2016. This means eligible business and charities will be able to claim a greater reduction on their employer NICs liability.

Eligibility
Employment Allowance is for nearly all employers that pay Class 1 National Insurance contributions (https:www.gov.uk/national-insurance-contributionsfor-employers/) on their employees' and directors' earnings.

This includes:

- Businesses
- Charities
- Community Amateur Sports Clubs

From April 2016, companies where the director is the sole employee will no longer be able to claim the Employment Allowance.

Please contact us for further information on the employment allowance.

RESEARCH & DEVELOPMENT ADVANCE ASSURANCE

Overview
HM Revenue and Customs (HMRC) have introduced Advance Assurance for companies that are looking to claim Research and Development (R&D) tax relief.

If your company carries out R&D for itself or other companies, it could qualify for Advance Assurance. This means that for the first 3 accounting periods of claiming for R&D tax relief, HMRC will allow the claim without further enquiries.

Applying for Advance Assurance is voluntary and you can do this at any time before the first claim for R&D tax relief. Your company can still apply for R&D tax relief without Advance Assurance.

Advantages of Advance Assurance
When you apply for Advance Assurance you'll have an HMRC specialist to help you understand and comply with the R&D tax relief conditions.

Advance Assurance gives proof that your company will get R&D tax relief. This may help you get funding.

Who can apply for Advance Assurance
Your company can apply for Advance Assurance if it's planning to carry out, or has previously carried out R&D. It has to meet certain conditions which are that:

- it hasn't claimed R&D tax relief before
- its annual turnover is £2 million or less
- it has less than 50 employees

If your company is new, you can still apply, as long as you haven't claimed R&D tax relief before.

These conditions may also apply if your company is part of a group, but there are further criteria that need to be met to be certain (see below).

If you're planning to carry out future R&D, HMRC will contact you after you've submitted your first claim. This is to check that your R&D matches the details you gave in the Advance Assurance application form.

Notice of HMRC's decision
Once HMRC is satisfied that your company activities are within the rules of the scheme and you understand how the rules apply to your company, they'll send you a letter telling you their decision.

If your company is granted Advance Assurance for 3 accounting periods HMRC will send you an agreement letter. This letter will explain your company responsibilities.

Who can't apply for Advance Assurance
If your company is part of a group and another company within that group has made a claim for R&D, HMRC won't accept the application for Advance Assurance.

HMRC also won't offer Advance Assurance if your company:

- entered into a Disclosable Tax Avoidance Scheme (DOTAS)
- is a corporate serious defaulter

Rothmans can help complete and/or review your Advance Assurance application and therefore please contact us for further information.

TOP TEN THINGS TO KNOW ABOUT THE NEW TAX-FREE CHILDCARE SCHEME

Tax-Free Childcare will be launched from early 2017 and Tax-Free Childcare will be available to around 2 million households to help with the cost of childcare. Here's the top ten things to know about the scheme...

1. You'll be able to open an online account
You'll be able to open an online account, which you can pay into to cover the cost of childcare with a registered provider. This will be done through the government website, GOV.UK.

2. For every 80p you or someone else pays in, the government will top up an extra 20p
This is equivalent to the basic rate of income tax of 20%. The government will top up the account with 20% of childcare costs up to a total of £10,000 – the equivalent of up to £2,000 support per child per year (or £4,000 for disabled children).

3. The scheme will be available for children up to the age of 12
It will also be available for children with disabilities up to the age of 17.

4. To qualify, parents will have to be in work, and each earning just over an average of £100 a week and not more than £100,000 each per year
The scheme is designed to be flexible for parents if, for example, they want to get back to work after the birth of a child or work part-time.

5. Any eligible working family can use the Tax-Free Childcare scheme – it doesn't rely on employers offering it
Tax-Free Childcare doesn't rely on employers offering the scheme, unlike the current scheme Employer-Supported Childcare.

Any working family can use Tax-Free Childcare, provided they meet the eligibility requirements.

6. The scheme will also be available for parents who are self-employed
Self-employed parents will be able to get support with childcare costs in Tax-Free Childcare, unlike the current scheme (Employer-Supported Childcare) which is not available to self-employed parents. To support newly self-employed parents, the government is introducing a 'start-up' period. During this, self-employed parents won't have to earn the minimum income level.

The scheme will also be available to parents on paid sick leave and paid and unpaid statutory maternity, paternity and adoption leave.

7. If you currently receive Employer-Supported Childcare then you can continue to do so
You do not have to switch to Tax-Free Childcare if you do not wish to. Employer-Supported Childcare will continue to run. Parents won't be able to register for Employer-Supported Childcare after Tax-Free Childcare is introduced, but those already registered by this date will be able to continue using it for as long as their employer offers it. However, Tax-Free Childcare will be open to more than twice as many parents as Employer-Supported Childcare.

Employers' workplace nurseries won't be affected by the introduction of Tax-Free Childcare.

8. Parents and others can pay money into their childcare account as and when they like
This gives you the flexibility to pay in more in some months, and less at other times. This means you can build up a balance in your account to use at times when you need more childcare than usual, for example, over the summer holidays.

It's also not just the parents who can pay into the account – if grandparents, other family members or employers want to pay in, then they can.

9. The process will be as simple as possible for parents
For example, you'll re-confirm your circumstances every three months via a simple online process; and there will be a simple log-in service where parents can view accounts for all of their children at once.

10. You'll be able to withdraw money from the account if you want to
If your circumstances change or you no longer want to pay into the account, then you'll be able to withdraw the money you have built up. If you do, the government will withdraw its corresponding contribution.

More information will become available ahead of the scheme being introduced so parents making childcare decisions are able to consider all their options. If you need any further clarification please do not hesitate to contact us.

INVITATION: BUDGET SEMINAR 2016

Thursday 17th March from 5.30pm, Ageas Bowl, Southampton

An informative yet entertaining look into this year's budget.

We would be delighted if you could join us for our annual budget seminar which will be held the day after the chancellor presents his first full budget of this parliament. The seminar will therefore provide a timely and insightful review of the budget's impact for businesses, business owners and private clients. The seminar is free to attend and will take place on Thursday 17th March from 5.30pm at the Ageas Bowl, Southampton. The seminar will be followed by drinks and canapés and an opportunity to ask detailed questions and network.

After last year's success our guest speaker, Giles Mooney, has been asked back. Giles writes for a number of publications on tax issues and he entertains and educates professionals each week running seminars throughout the country. He is described as an "Excellent speaker who made a difficult subject interesting".

Each year this seminar is oversubscribed so we recommend you register your interest today. To register, visit **(rothmansllp.com/budget-seminar/)**.

Some feedback from previous year's attendees;

"Good choice of venue, speaker was first class!"

"Lighthearted and helped getting a better understanding of the issues."

"Information was informative and relevant. A breath of fresh air."

Be sure you don't miss out! If you would like to bring along a client, colleague or contact that you believe would find this of interest, please register them when you register your own place.

CHANGE OF ADDRESS

Rothmans Segensworth & Fareham
Martin, Daren and the Team at Rothmans Segensworth, and Charles, James and the Team at Rothmans Fareham have moved into a new office at:

Fareham House
69 High Street
Fareham
PO16 7BB

Telephone: 44 (0)1329 280221
Email addresses will remain the same

DIRECTOR APPOINTED

Rothmans has appointed a new Director based at their Southampton office. Lisa Wilson, who lives locally, joined Rothmans in 2006 after working for a number of years in two other Hampshire-based accountancy firms.

Lisa has many years' experience advising on all areas of general practice. In particular, she has a keen interest in advising owner-managed businesses, whilst maintaining her expertise in audit and specialist sectors such as not-for-profit and healthcare.

Lisa has a keen interest in the outdoors and particularly enjoys a heart-thumping walk with a good view. Lisa also harbours a passion for cooking for family and friends, experimenting with new tastes and flavours from around the world.

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