

New tax measures come into effect



A number of key changes to tax legislation have come into effect, following the start of the new tax year. Here we outline some of the measures affecting businesses and individuals.

Business

National insurance for apprentices

6 April 2016 saw reforms to the rules on national insurance, with employers no longer required to pay Class 1 secondary (employer) national insurance contributions (NICs) on earnings paid to qualifying apprentices under the age of 25. This is effected through the new 'zero rate' for 'relevant' apprentices on weekly earnings up to the Upper Secondary Threshold (UST), which is set at £827 for 2016/17. The exemption has been largely welcomed by the business community. Dr Adam Marshall, British Chambers of Commerce (BCC) Acting Director General, stated: 'Abolishing employer contributions will encourage more businesses to hire young apprentices, at a time when the UK is faced with a growing skills shortage'.

Employment Allowance

Additionally, the Employment Allowance for employer NICs has increased from £2,000 to £3,000. However, companies where the director is the sole employee will no longer be able to claim this allowance. The Government hopes the higher allowance will help businesses with the increased costs associated with the National Living Wage (NLW), which came into force on 1 April for workers aged 25 or over and has been set at a rate of £7.20 an hour.

Individuals

The new tax year also heralds a number of additional changes affecting individuals, with significant reforms to savings, pensions and dividends now in effect.

Personal Savings Allowance

From the 2016/17 tax year onwards an estimated 95% of savers will no longer pay tax on their savings income, following the introduction of the new Personal Savings Allowance (PSA). The PSA allows basic rate taxpayers to earn up to £1,000 each year in tax-free savings income (such as interest), while higher rate taxpayers can receive up to £500 before paying tax on their savings income. The PSA does not apply to additional rate taxpayers.

ISAs

Those saving into an Individual Savings Account (ISA) can now benefit from increased flexibility. Under new rules, from 6 April 2016 savers can replace cash they have withdrawn from their ISA account earlier in a tax year without this replacement counting towards the annual ISA subscription limit.

New State Pension

The much-anticipated new 'flat rate', or 'single tier' State Pension has also now come into effect. The rate of payment has initially been set at £155.65 per week - however, this may vary in accordance with an individual's national insurance record.

Continued...

For all the latest news...

New tax measures come into effect.

Continued...

Annual allowance

Meanwhile, from 6 April those with adjusted annual incomes over £150,000 will have their pensions annual allowance reduced by £1 for every £2, down to a minimum of £10,000. In addition, the lifetime allowance has fallen from £1.25 million to £1 million.

Changes to dividends

Other significant changes include the introduction of new rules on the taxation of dividends.

The 10% dividend tax credit has been abolished from the 2016/17 tax year onwards, and a new Dividend Tax Allowance of £5,000 a year has been introduced. Dividend tax headline rates have also been reformed: the new rates of tax on dividend income exceeding the allowance will be set at 7.5% for basic rate taxpayers, 32.5% for higher rate taxpayers and 38.1% for additional rate taxpayers. **To discuss how the latest changes may affect you or your business, please contact us. We would be delighted to assist you.**

Multinationals to be required to disclose tax affairs

The EU has unveiled new plans that will require large companies to reveal their tax affairs, as part of an effort to reduce large scale corporate tax avoidance.

- their total net turnover
- any profits made before tax
- the amount of income tax due, and any tax that has been paid.

The reforms, presented by the European Commission, will affect multinationals with revenues of £600 million or more, and come after the criticism of the use of tax havens following the Panama Papers revelations.

Companies will have to reveal the amounts of tax that they pay on a country-by-country basis, along with any activities undertaken in tax havens.

These rules will not apply to businesses' trade activities occurring outside of the EU.

Mining and forestry companies, as well as banks, are already required to abide by country-by-country tax reporting rules.

The introduction of such rules for multinational companies will mean that around 90% of the world's largest firms will be covered by the proposals.

Additionally, large businesses will be made to reveal:

- the nature of any tax activities, and the amount of staff that they employ

However, business groups have expressed concerns that the rules will require them to reveal their profits to both the tax authorities and the general public.

Other news in brief

Chancellor defends Treasury's gloomy Brexit forecasts

Chancellor George Osborne has defended an analysis of how the British economy would fare in the event of a referendum decision to leave the EU, after Leave campaigners branded it as 'spurious'.

Significant rise in buy-to-let lending

Official data from the Council of Mortgage Lenders has revealed that landlords borrowed a total of £3.7 billion during February.

Initial rush to cash in pension pots 'has ended', says regulator

There has been a gradual decline in the number of people releasing cash from their pension pots early, a year after rule changes allowed them to do so, according to a report published by the Financial Conduct Authority.

For more on these visit our website www.nhllp.com

ESSENTIAL TAX DATES FOR MAY

1 May

Start of daily penalties for 2015 online Tax Return not yet filed. Additional penalties may apply for further delay.

3 May

Submission date for P46 (Car) for quarter to 5 April.

31 May

Last day to issue 2015/16 P60s to employees.

GX Fun Run – 22nd May

We are proud Sponsors of the event. Come and visit us on Gerrards Cross Common on Sunday 22nd May, 11am at the Bouncy Castle stand.

Enter our free prize draw to win a magnum of Veuve-Clicquot Champagne and get a balloon for the kids.

Lots of attractions for all the family to see and do...



Quote of the month

'The good times for motorists enjoying lower fuel prices had to come to an end at some point, but unfortunately it's happened with a bit more of a bump than motorists were probably expecting.'

RAC spokesman Simon Williams, commenting on the first rise in the price of petrol since July 2015.