Taxation News

CHARTERED ACCOUNTANTS

Regular News from our Specialist Tax Team

WINTER 2017

New Website

Over the past few months, we have been working on a new website in conjunction with Blue2 Digital and, we are pleased to announce, it is now live!

The main objective for our new website was to demonstrate the strength of our expertise, energetic approach and the people at the heart of who we are at EQ. It highlights our highly qualified, knowledgeable and experienced taxation team that includes five Chartered Tax Advisors, the highest level of tax qualification in the UK gained from the Chartered Institute of Taxation.

We believe in working with our clients, tailoring our approach to find the most imaginative solution to any taxation query, and we wanted our new website to reflect this. Therefore, our new website has been optimised for desktop, tablet and mobile to be informative, interactive, engaging and easy to navigate on each platform. Now, our clients can find relevant, up to date taxation information, news, tips and advice in a clear and concise format, all at the click of a button.

We would love you to have a look at our new website and provide any feedback you have. We hope you like it as much as we do. You can find the new website at **www.eqaccountants.co.uk**

31 January Tax Deadline

The deadline for filing your 2015/16 self-assessment tax return online with HMRC is midnight on 31 January 2017. If this deadline is not met HMRC will automatically charge a late filing penalty of £100 and additional penalties will be charged if your return is more than three months late. If a partnership tax return is late then late penalties will be charged for each partner. It is important to ensure that your return is filed on time as HMRC will only consider appeals against penalties if you have a 'reasonable excuse'.

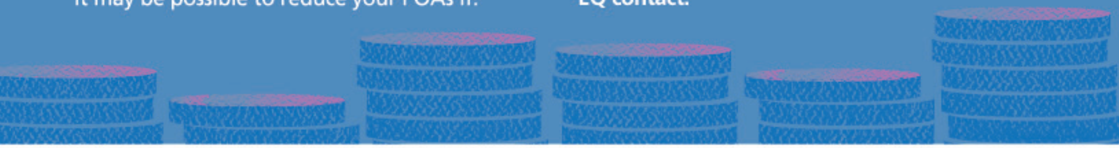
31 January 2017 is also the deadline for payment of balancing tax liabilities for 2015/16 and for first payments on account (POA) in relation to 2016/17 tax liabilities. Interest will be charged if payment is not made before the deadline, and a 5% surcharge will also be applied to 2015/16 balancing payments paid more than 30 days late. If you cannot pay you must try to agree a payment plan with HMRC before 31 January 2017.

Each POA is half your previous year's tax bill, excluding capital gains tax and student loans; it is therefore worth considering whether it is possible to reduce your POA if your expected 2016/17 tax liability will be lower than 2015/16. It may be possible to reduce your POAs if:

- **Your taxable income or business profits are expected to be lower**
- **You are entitled to more tax reliefs; for example, if you will have higher personal pension contributions in 2016/17**
- **You will have more tax deducted at source in 2016/17**

It is important to seek advice before reducing your POAs, because interest will be charged if they are reduced below your actual 2016/17 tax liability.

If you would like further advice on reducing your POAs please speak to your usual EQ contact.



Final Salary Pensions – Should I stay or should I go?

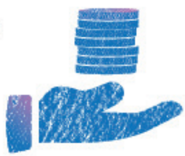
The clear advice for a decade or more was nearly always to stay and draw the guaranteed lifetime pension from a final salary scheme at retirement. This has changed in recent years because transfer values have soared at the same time as the Government introduced new pension freedoms and removed the 55% pension death benefit tax on personal plans.

Final salary, or defined benefit, schemes promise to pay a secure index-linked pension at retirement age based on a proportion of final or career-average salary. The pension is paid for life and may continue (at a reduced level) to a surviving dependant partner, with benefits stopping after both have died.

Taking a transfer value means exchanging the certainty of the guaranteed income for a cash sum that can then be invested within a personal plan such as a Self-Invested Personal Pension (SIPP). This gives control over the capital value and the amounts that can be drawn out. It also means that anything left on death can now pass on to future generations (not just partners) without suffering the old 55% pension death benefit tax or Inheritance Tax.

Defined benefit schemes have not become any less valuable and a transfer is certainly not the right thing for everyone. The ground has shifted, however, and this is a good time to seek advice on those old company pension benefits. The transfer value might be a lot higher than expected and a SIPP could now form part of a tax efficient estate planning strategy.

This article has been provided by Mark Burrell, a director of Balmoral Asset Management Limited. Please call your normal EQ contact if you would like to be introduced to Balmoral to find out more.



Autumn Statement

On 23 November 2016 the Chancellor of the Exchequer, Philip Hammond, delivered his first Autumn Statement. One of the most notable announcements was in relation to the timing of the Budget. In 2017 there will be two Budgets – one in Spring, then another in Autumn. Thereafter, the Budget will be delivered in Autumn, with a Spring Statement that will only involve comments on the previous Budget and not new policy announcements.

Many of the measures in the Autumn Statement had been announced previously, but among the highlights are the following:

Personal tax rates and allowances

In addition to confirming the 2017/18 personal allowance of £11,500 and the higher rate threshold of £45,000 for the rest of the UK, the government announced it will meet its commitment to raise the personal allowance to £12,500 and the higher rate threshold to £50,000 by the end of this parliament. The Scottish government has proposed a higher rate threshold of £43,430 for 2017/18.

As announced in the 2016 Budget, from 2017/18 there will be new allowances of £1,000 each for trading and property income. If an individual's gross income before expenses is below the level of the allowance they will not need to declare the income to HMRC or pay any tax on the income. If their income is above this level an individual will be able to calculate their taxable profit either by deducting their expenses in the normal way or, alternatively, by deducting the £1,000 allowance from their gross income.

Employee shareholder status

For employee shareholder agreements made after 1 December 2016 the income tax reliefs and capital gains tax exemption on shares awarded to an employee will be removed. Shares received under agreements made prior to this date will not be affected by the changes.

Making good benefits in kind (BIK)

As announced in the 2016 Budget, from April if an employee wants to make good a non-payrolled benefit they will have until 6 July following the end of the tax year to make payment to their employer.

National Insurance (NI)

From April 2017 the NI secondary threshold and primary threshold are to be aligned, so both employees and employers will start paying NI on weekly earnings above £157.

Class 2 NI contributions are to be abolished from April 2018.

Salary Sacrifice

The tax and NI advantages of salary sacrifice arrangements are to be withdrawn from April 2017. Existing arrangements will be protected over a transitional period until April 2018 and arrangements involving pensions, childcare, Cycle to Work and ultra-low emission vehicles will not be affected. Where there are existing arrangements for cars, accommodation and school fees these will be protected until April 2021.

Termination payments

As announced in the 2016 Budget, from April 2018 if a termination payment over £30,000 is subject to income tax it will also be subject to employers' NI.

Foreign domiciled people

As announced previously, there will be significant changes from April 2017 to the tax treatment of foreign domiciled people. If a foreign domiciled person has been resident in the UK for 15 out of the last 20 years they will lose their foreign domiciled status and be taxed in the same way as a UK domiciled individual.

Corporation tax

As previously announced, corporation tax rates will fall to 19% from 1 April 2017 and will fall again to 17% from 1 April 2020.

From April 2017 the treatment of losses brought forward will significantly change. Brought forward trading losses can currently only be used by the company that incurred the loss and losses can only be set against profits from certain types of income. For losses made from April 2017 there will be increased flexibility over the types of income against which the losses can be relieved and the losses will be available for use by other companies within a group.

However, for companies with profits over £5million, the amount of profit that can be offset by brought forward losses will be restricted to 50% of the amount of profits in excess of £5million. The threshold is a group wide threshold.

Tax Newsletter Profile

Angela Haig

1. **How long have you worked with EQ?**
   I joined EQ on 1 August 2016 as a partner in the Forfar office. Previously, I was a partner with another firm of accountants in Tayside. I have been advising on tax for over 20 years, having qualified as a Chartered Tax Adviser in 1995.

2. **What taxes do you specialise in?**
   My main interests lie in personal and partnership tax planning including capital gains tax and inheritance tax, but over the years I have advised on many different tax issues for businesses, individuals and trusts.

3. **What do you enjoy most about your job?**
   Unlike many of my colleagues, I enjoy tax planning because the tax legislation is continually changing. This means there are always new things to learn and new opportunities for clients. I also enjoy helping my clients by removing the stress of dealing with HMRC and the complexities of tax. It is usually much appreciated. There is always the chance to meet new people and find out how different businesses operate.

4. **What are the components of good tax advice?**
   Good tax advice will come from knowing your clients and their needs and having the knowledge and experience of our complex tax system. The best planning for a family may not always result in the lowest tax bill but will result in meeting each individual's objectives with the minimal tax cost.

EQ Property Taxation

It's been a busy period for EQ's Property Taxation team. In October and November 2016, and in conjunction with Thorntons Solicitors and Wardhaugh Property Management respectively, EQ delivered presentations on the new residential property tax rules to more than 200 landlords. The seminars were very timely and indicative of the level of concern felt by landlords.

On 8 November, our team hosted a stand at the National Landlord Day at Dynamic Earth in Edinburgh, where we enjoyed meeting up with a series of landlords and property sector suppliers. Excellent sector contacts were made and our team of property taxation specialists intend to deliver more updates and advice in the coming months.

The areas of most concern to landlords appear to be restricted tax relief on borrowing costs, the new LBTT regime and the abolition of the wear and tear allowance.

If you'd like to find out more information about the new rules, please contact **david.morrison@eqaccountants.co.uk**

Working with you.

We are always happy to offer free, no obligation, initial consultations, and often act on a consultancy basis only.

For more information on any of the services outlined in this bulletin, or to discuss a particular issue with one of our advisers, please contact our Taxation specialists.

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