

Budget 2016: at a glance

Income tax

From April 2017

- The personal allowance increases to £11,500.
- The basic rate limit will be increased to £33,500.
- The simplified reporting requirement (3 line accounts) for the Income Tax self-assessment return will continue to be aligned with the VAT registration threshold.

Uberisation allowance

- From 6 April 2017 a tax-free allowance of £1,000 for people who have minor trading, property or income from micro activities ('uberisation') such as Airbnb, eBay sales, etc.

Pensions, savings and ISAs

- A number of minor changes are being made to the pensions tax rules to ensure that they operate as intended following the introduction of pension flexibility in April 2015.

ISAs

From 6 April 2017

- A new lifetime ISA allowance for the under 40s to fund pension/savings. Save up to £4,000 per year, Government will top up with the addition of a 25% credit.
- An increase in the annual ISA limit from £15,240 to £20,000.

Property taxes

Stamp Duty Land Tax

From 16 March 2016

- SDLT will be 3% higher on residential property where the purchaser already owns another residential property which is not a main residence. Companies will pay the higher rate on even their first purchase. No discount for large scale investors.
- For commercial and mixed residential and commercial property the old band system will go and be replaced by a slicing system where the rate will apply to the portion of the consideration falling within each slice.

£0-£150,000	0%
£150,001-£250,000	2%
£250,001+	5%

Property profits and losses

Capital gains tax (CGT)

From 6 April 2016

- The higher CGT rate is reduced to 20%
- The basic rate of CGT is reduced to 10%
- No changes for CGT on chargeable gains on the disposal of residential property – most gains are covered by private residence relief. Where they are not they are chargeable at 18%/28%.

Employment taxes

Disguised remuneration:

- From 16 March 2016: a TAAR to combat abuse of the disguised remuneration rules.
- From April 2019: a PAYE/NICs charge on third party loans created prior to the disguised remuneration rules where no settlement has been agreed with HMRC.

Benefits and expenses

- Voluntary payrolling extended to non-cash vouchers and credit tokens.
- Van benefit: the 20% tapered rate of the van benefit charge for zero-emissions vans will remain (it had been set to increase to 40% in 2016 to 2017). The 20% will be extended to 2017 to 2018 tax year.
- Childcare: the Tax-Free Childcare (TFC) scheme, originally due to start in Autumn 2015, will roll out in early 2017. Parents of the youngest children will enter the scheme first and it will be open to all eligible parents by the end of 2017. The Government also confirmed the existing scheme, Employer-Supported Childcare, will close to new entrants from April 2018.
- Pensions advice: from April 2017 employers will be able to fund up to £500 of pensions advice for employees.

IR35

From April 2017

- Personal service companies working in the public sector: liability to pay the correct employment taxes will move from the worker's own company to the public sector body or agency/third party paying the company.
- Watch this space** – if this legislation works it is likely to be extended to PSCs working for any other business.

continued overleaf

Budget 2016: at a glance (cont'd)**Termination payments**

From April 2018

- Employers NICs will apply to termination payments in excess of the £30,000 limit.

Travel & subsistence reforms

- Measures affecting tax relief for travel for Personal Service Companies (PSCs) and workers supplied by agencies and intermediaries will go ahead as planned from April 2016.

Corporation tax

- A new roadmap will be published to level the playing field between big multinationals and small companies.
- Close company loans to participators: the s455 CTA 2010 charge to increase to 32.5%.

Anti-avoidance: profit shifting and multinationals

From 16 March 2016

- Property developers prevented from using offshore structures to avoid UK tax on their profits from trading in property in the UK.

Other measures

- Modernisation of loss relief: 50% restriction of carried forward losses (25% for banking companies).

Rates

- Corporation tax to be reduced to 17% from 2020.

Capital allowances**VAT**

From April 2016

- Registration limit set to £83,000 and deregistration to £81,000.
- HMRC have been given new powers to tackle the non-compliance from some overseas businesses that avoid paying UK VAT on sales of goods made to UK consumers, via online marketplaces.
- There will be a consultation on a new penalty for participation in VAT fraud.

Soft Drinks Levy

- New tax on sugary drinks.

How to work out your new employee's starter declaration and tax codes on Youtube

HMRC has been working with employers and payroll providers to produce two short Youtube videos to help you get your new employee onto the right code first time.

The videos are available if you search "HMRC new starters". ■

Don't be cheated - Companies House fraud

New companies are being duped into paying for an online directory listing by a webservice that displays a coat of arms that is not unlike that of Companies House.

Website newcompanyregister.org writes to new companies and then invites them to pay £37.50 in order to register with their online directory. Whilst there is nothing to prevent anyone writing to new companies, the issue is that the company logo (a coat of arms) that looks very like that of Companies House and the wording of the letter is likely to make a new company owner assume that registration is part of your incorporation process. The result is that many new companies are being tricked into paying for a listing that they don't want or need.

The fact is that if you register a new company with Companies House you are already on the company register and so you do not need to pay twice.

- Once on the Companies House register you will in time find that you are picked up by various local directories and company information search websites for free.
- You can also update your own details on search engines for free.

The Companies House coat of arms has a lion on the left and the motto Dieu and Mon Droit in a ribbon at the bottom – the £37.50 website has no motto, the animals are reversed, and the unicorn is a pony with no horn. Take care - a coat of arms is no test of respectability as all our forebears knew!! ■

Scottish Rate of income tax

The Scottish Rate of Income Tax comes into effect from 6 April 2016. The Scottish rate for 2016 to 2017 has been set at 10%, meaning 10p in every £1 will go to the Scottish Government. You may have already received your annual coding notice but if not you soon will. It will include the new 'S' code for Scottish taxpayers.

What you will need to do:

- Check with your provider that your payroll software is up to date and ready to apply the new 'S' code.
- If you use HMRC's Basic PAYE tools you will need to make sure that you are using the latest version which will be published in March 2016.
- You must use the code in RTI that was supplied by HMRC.
- Remember the 'S' code depends on the residential address of the employee. Please encourage your employees to tell HMRC if their address changes, as this will help us to correctly identify any Scottish taxpayers and ensure they pay the right amount of tax. They can do this online at www.gov.uk ■

VAT fuel scale charge

What is the VAT fuel scale charge? What alternatives are there to the VAT fuel scale charge? Does the VAT fuel scale charge apply to vans?

If a business is VAT registered and purchasing road fuel for business use of its vehicles, but there is also private use of cars and other vehicles, an adjustment is required to ensure no VAT is claimed on the private consumption of fuel.

The VAT fuel scale charge

To make accounting for VAT on private use of fuel by car drivers a business may apply a VAT fuel scale charge. This adds back a fixed sum, per VAT period, to account for private consumption of fuel.

The scale charge is calculated according to a car's CO2 emissions and the charge is added to output VAT, and a fixed charge added back for each period that the business is accounting for VAT.

Alternatives to the VAT fuel scale charge

It may not be worth paying the VAT fuel scale charge, particularly if private mileage is very low. The alternatives are as follows:

- The business can account for VAT based on exact business mileage, and therefore it will not claim VAT on any private mileage, or
- It may pay a mileage allowance for exact business miles travelled and reclaim back VAT on that, or
- A business may decide that it will not reclaim any VAT on fuel costs (this is where business mileage is very low and private mileage is high).

Vans and commercial vehicles

It is assumed that the drivers of most commercial vehicles undertake little or no private mileage. If there is a significant level of private mileage VAT claims should be adjusted to exclude VAT on this.

The VAT Flat Rate Scheme

If a business is using the VAT Flat Rate Scheme no VAT is claimed back on fuel as input VAT is automatically adjusted using the flat rate percentage. ■

Annual VAT scale charge rates

Accounting periods beginning on or after: 1 May 2016

CO2 emissions figure	12 month VAT period	3 month VAT period	1 month VAT period
120 or less	£467	£116	£38
125	£699	£175	£58
130	£747	£186	£61
135	£792	£197	£65
140	£841	£209	£69
145	£886	£221	£73
150	£934	£233	£77
155	£979	£245	£81
160	£1,028	£256	£85
165	£1,073	£268	£89
170	£1,121	£279	£92
175	£1,166	£291	£96
180	£1,214	£303	£101
185	£1,259	£314	£104
190	£1,308	£326	£108
195	£1,353	£338	£112
200	£1,401	£350	£116
205	£1,446	£362	£120
210	£1,495	£373	£123
215	£1,540	£384	£128
220	£1,588	£396	£132
225 or more	£1,633	£408	£135

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