



NEWSLETTER

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Welcome to the Copson Grandfield Newsletter.

Inside you will find topical comments,
& more useful tax tips.

Budget 2015: At-a-glance summary

George Osborne delivered his seventh Budget as chancellor, on 8th July 2015. Here are some of the key announcements:



Corporation Tax to be cut to 19% in 2017 and 18% in 2020

Dividend Tax Credit to be replaced with a new tax-free allowance of £5,000 on dividend income. Rates of dividend tax to be set at 7.5%, 32.5% and 38.1%. More news on these changes will follow shortly.

Annual investment Allowance will be fixed permanently at £200,000 from January 2016

New National **Living Wage** will be introduced for all workers aged over 25, starting at £7.20 an hour from April 2016.

Inheritance Tax threshold to increase to £1m, phased in from 2017, underpinned by a new £325,000 family home allowance

The individual **Personal Allowance** will rise to £11,000 next year (currently £10,600). The point at which people start paying income tax at the 40p rate will also rise from £42,385 to £43,000 next year.

Tax Credits & Universal Credit to be restricted to two children, affecting those born after April 2017.

Working-age benefits to be frozen for 4 years - including tax credits and local housing allowance, but maternity pay and disability benefits are exempt.

Employment & Support Allowance payments for new claimants who are deemed able to prepare for work to be "aligned" with Jobseeker's Allowance.

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Budget 2015: Buy-to-let Tax Break to be cut



Buy-to-let landlords face cuts in the amount of tax relief they can claim on mortgage interest payments. The amount that landlords will be able to claim will be set at the basic rate, currently 20%. The change will be introduced over 4 years from April 2017.

Currently property investors can claim tax relief on their monthly interest repayments at the top level of tax they pay, meaning the wealthiest can claim as much as 45%. George Osborne said the current system gave buy-to-let landlords "a huge advantage in the market", compared with home buyers.

Buy-to-let properties account for over 15% of new mortgages, something the Bank of England warned could pose a risk to the UK's financial stability.

Nicholas Leeming, chairman of national estate agents Jackson-Stops & Staff, referred to the changes "as a major blow to a sector that is heavily reliant on private investors and who provide a crucial supply of property to the private rental sector." He also warned the move could hit the supply of rental properties making it harder for people who wanted the flexibility of being able to rent rather than buy.

Graham Davidson, the managing director of Seure Property Investment, a firm which specialises in buy-to-let investments, said about half of its customers were cash buyers, meaning they would not be affected by the move, but added that those affected are likely to increase their rental fee to compensate for the higher tax bill. "The single biggest impact will be to tenants rather than landlords," he warned.

But the director general of the Council of Mortgage Lenders, Paul Smee, said the fact that the change was being introduced slowly would soften the blow.

"The phasing is important. We will need to understand whether this will have a behavioural impact on higher-rate buy-to-let landlords, but a four-year timetable does at least reduce the risk of sudden market shocks," he said.

Staff News

Congratulations to **Laura Woods** who became a mother on 18 July 2015. Little Harry weighed in at 8lb 9oz.

We wish her all the best but don't envy those sleepless nights!

We would also like to welcome some new members to our various teams within Copson Grandfield.

Jeanette has recently joined our PAYE Department, and **Debby** has joined the VAT Team.

Maizey is also the newest addition to our Admin Team and **Laura Jones** joins our Accounts Department.

Sadly, it's not all good news... amongst all these new starters we also have to say Goodbye to **Valentina** in our Accounts Department, who will be leaving us at the end of August.

Valentina, who recently got married, is moving to Maidenhead, we all wish her the best of luck on her new adventure.

Also, a big well done to **Phoebe Grandfield**, who recently took part in the European Taekwondo Championships in Moldova.

Phoebe did brilliantly, winning Gold in the Power category! She is now a European Champion!

And as if that wasn't enough.... Phoebe also won Bronze in Patterns and then in the Ladies Adult Team she won a further 2 Golds and 2 Silvers!

Tax Tip – Rent-a-Room Relief

Did you know that you can currently receive up to £4,250 Tax-Free from letting out a room in your own home?

There are a few conditions that need to be met, for example; the room must be in the taxpayers main home (can't be a separate residential property), it needs to let to an individual rather than office space for a business etc, and the accommodation must be furnished.

This is a great tax-break for those who have a spare room and wish to take in a lodger/ students etc. Income over the £4,250 is then taxed at the individual's marginal rate.

Good News! The recent budget has now extended this relief to **£7,500!** The new rates will come into effect from 6th April 2016... Time to take on a second person, or put the rent up!?

Contracts – A Warning...

A case started a number of years ago with an accountant who was concerned about the employment status of a client's workforce. The client was a construction business and engaged around 40 subcontractors.

The accountant advised his client that he should seek advice regarding their employment status. Self-Employed contracts were tailored and provided for the company to use.

The client later became subject to an HMRC enquiry. Part of the check asked whether the client was using the contracts and were they being re-issued each year.

It became clear that although the client had issued the contracts, only six had actually been signed and returned. There had been no follow up action and no further issue of the contract to new subcontractors.

After scrutinising the contracts HMRC accepted Self-Employment on the six subcontractors who had signed the contracts, and then went on to look at the remaining 34 subcontractors. They decided that these were **not** Self-Employed.

Computations of liability were issued by HMRC to the client, in the region of £1.2 million liability! The client appealed, focusing their argument on the requirements of a contract, i.e. offer, acceptance, consideration, and acceptance of terms by conduct.

The dilemma for HMRC was that they had already accepted that the contract was one of self-employment, so they had to argue that the other subcontractors were not bound by the contract. After some 12 months of negotiations, HMRC eventually accepted the argument.

It is therefore essential that contracts are up to date, and that signed copies are chased. Where a contract isn't returned, a letter should be issued confirming that as services are being provided it will be assumed that the subcontractor agrees to the terms of the contract.

The lesson here is that it's easier to avoid a problem arising, than it is to correct it later. The client learned the hard way that contracts sitting in a drawer are of little use when it comes to arguing with HMRC.

Other News

Those of you using **IRIS OpenSpace** to review/approve documents online may have noticed some changes to the layout recently.

Previously, 'Approved' items would show in green, however the current design doesn't clearly show pending items, or those waiting for approval.

However, by clicking on the 'Headers', it is possible to sort documents in a number of ways, such as date uploaded, or those awaiting approval.

Company Vans

Over the last few years the taxable benefit on company cars (available for private use) has increased dramatically, therefore a cheaper alternative for some was the humble company van...

From pickup versions of market leading 4x4s through to more traditional 'car derived' vans the choice is huge, but there are some hidden pitfalls that can catch the unsuspecting van buyer and lead to an unexpected car benefit charge.

It all revolves around the definition of a van for tax purposes. According to HMRC's guidance a van is:

"A vehicle of a construction primarily suited for the conveyance of goods or burden"

If a vehicle has side windows behind the driver and passenger doors, it is unlikely to fall within this definition. Especially if it is fitted, or is capable of being fitted, with additional seating.

This can catch vehicles such as the VW Caddy and the Ford Transit Connect and brings them within the definition of a car for benefit in kind purposes.

To return them to being considered a van the rear windows must be permanently blanked off and the mounting points for the rear seats closed off. HMRC offers the suggestion that installing a new permanent floor to the load bay as a way of doing this.

Twin Cab Pick ups

A vehicle of this sort normally has:

- a front passenger cab that contains a second row of seats,
- four doors capable of being opened independently, and;
- an uncovered pick-up area capable of carrying a load of 1,000Kg.

These are currently accepted as vans (rather than cars) for benefit in kind purposes. However beware of fitting any type of solid cover over the load bay.

Where this is done HMRC regard the load capability to have been reduced by 45kg. So the secret is to always ensure that any twin cab pick-up has an initial load capability in excess of 1,050kg.

If unrestricted private use of a van is allowed then a benefit in kind will still apply but it will be much lower than that of the equivalent car. If only business use (which includes home to work travel in this case) is permitted then no tax charge will occur.



Business Commissioner

The Small Business Minister, Anna Soubry, has announced plans to appoint a special commissioner to tackle late payment culture.

Small firms would be able to seek advice from the commissioner, and make complaints, when faced with the financial pressures of waiting to be paid. Current estimates put the total amount owed to small firms at £26 billion.

In the Enterprise Bill, the Government said that a commissioner would be first contact for businesses to seek advice and support, as well as offering mediation services and investigating complaints.

The Small Business, Enterprise & Employment Act 2015 made it clear that companies who regularly fail to make payments on time will be 'named and shamed'.

Ms Soubry said: 'The Government is backing small businesses to grow and create more jobs and opportunity'.

She continued: 'The small business commissioner will tackle the imbalance of bargaining power between small suppliers and large customers, and encourage them to get round the table and sort out disputes at a fraction of the cost of going to court, It will also provide advice, investigate complaints and see where further action is needed to clamp down on unfair practices'.

Prepared for Auto-Enrolment?

From 1 June 2015, small businesses employing fewer than 30 staff became bound by the requirements of the new pension's auto-enrolment regime.

Under auto-enrolment, employees over the age of 22 and earning more than £10,000 per annum now have the right to belong to a workplace pension scheme, unless they choose to opt out.

Over 5 million workers are already in the scheme, and an estimated 3.8 million are expected to be enrolled by 2018. However, according to recent research, one in four small businesses are unprepared. Employers who fail to comply could be liable to enforcement action and/or a penalty.

Under auto-enrolment, you will need to identify any eligible jobholders working for you. You will also need to consider whether you have a duty in relation to other types of workers including non-eligible jobholders and entitled workers.

You will then need to decide on the type of pension scheme you will offer. Do you have an existing scheme that meets the requirements? or will you need to set up a new one?

Employers are required by law to write to all workers (except those aged under 16, or 75 and over) explaining what automatic enrolment into a workplace pension means for them, and will also need to register with the Pensions Regulator within five months of their staging date. You can find out your staging date by visiting www.thepensionsregulator.gov.uk/staging.

Employers must also keep specific records about their workers and their pension scheme(s).

From October 2018 all businesses will need to contribute at least 3% on the qualifying pensionable earnings for eligible jobholders. Employers are also required to make contributions for non-eligible jobholders who choose to opt in to the pension scheme.

For more information on Auto-Enrolment, or if you have any queries, please do not hesitate to contact a member of our PAYE team.

Accountants Are A Joke!

1. What do accountants suffer from that ordinary people don't? Depreciation.
2. Who makes the best detective - Sherlock Holmes, or an Accountant? The Accountant - we find more deductions!
3. What's the difference between the short and long income tax forms? If you use the short form, the government gets your money, whereas if you use the long form, the accountant gets your money.

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