Copson Grandfield
CHARTERED ACCOUNTANTS

NEWSLETTER

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Inside:

Welcome to the Copson Grandfield Newsletter.

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

Stamp Duty – An Early Christmas Present?

People buying a home in the UK will feel the direct impact of announcements made in this year's Autumn Statement.

Following a Budget in March that was packed with announcements affecting savings and pensions, Chancellor George Osborne has said that the contents of this year's Autumn Statement are a signal of "staying on course for prosperity".

One major change is a complete overhaul of the Stamp Duty system. Under the previous system, Stamp Duty was calculated as a percentage of the whole property price - rising at various trigger points.

These were 1% for properties bought for more than £125,000, 3% for homes bought for more than £250,000, 4% at over £500,000, 5% at over £1m, and 7% at over £2m.

For example, £2,500 is levied in Stamp Duty when a house is bought for £250,000. However, this bill triples if buyers pay a penny more than that for a property.

Whereas the new system, which took effect from **4 December 2014**, works in a similar way to Income Tax, in that rates apply only to the part of the property price that falls within each band, this means:

- No stamp duty will be paid on the first £125,000 of a property
- 2% will be paid on the portion up to £250,000
- 5% is paid for the portion up to £925,000
- 10% is paid on the portion up to £1.5m
- 12% is paid on anything above that

Anyone currently buying a property, having exchanged contracts, but not completed, can choose whether to use the old or the new system.

Pension Reform – What's New?

From next year savers will have freedom to do as much or as little as they want with their pension, but what does this mean in practice?

Savers were previously able to take 25% of their pension as a tax-free lump sum, but were then steered towards buying an annuity with the remaining fund. From **April 2015**, those over the age of 55 will be able to take a number of smaller lump sums, (rather than one single big lump sum), in each case, 25% of the sum will be tax-free.

Those with large pots can avoid paying 40% tax when they draw the funds down under the new rules. For example; with a £200,000 pot, you could cash the **entire** fund from April 2015, £50,000 tax-free, but the remainder would be subject to tax. Depending on the individual's personal allowance and other earnings, the majority would be swallowed up by 40% tax, as much as £53,600!

But if that person decided to take the pension instead as £50,000 each year over four years, then each year they would receive £12,500 tax-free and be liable for income tax only on the remaining £37,500, which could be as low as £5,500 per year. So instead of paying more than £50,000 in tax, that person pays around £22,000. The same principle also applies to smaller funds, where tax can be saved by utilising any remaining tax-free allowances, together with any remaining basic rate band.

Under the current rules you have to be over 55 to access your pension, however rumour has it that the government will tie this freedom to within 10 years of retirement age, which as it rises to 67 and 68, would suggest you won't be able to access the money until 57 or 58.

You don't have to retire in order to access your pension. For example, you can be over 55 and have a pension fund from a former employer, if you want that money, you can take it as a single lump sum or draw it down over several years, even if you are still working and paying into another scheme. 25% of each drawdown will be tax free; with the rest liable to tax at your marginal rate.

Anti-Avoidance; The tax authorities are aware of the possibilities of "salary washing" offered by the new rules. For example, someone aged over 55 could use their "additional voluntary contribution" scheme at work to maximise payments into their pension and then draw it down a year later, 25% tax free. New rules are expected to limit the possibility of doing this.

At present the idea of withdrawing your fund slowly in order to minimise the tax due may seem like a sensible route to take. The pension reform is also another strong argument in favour of preparing management accounts for your business, since these will enable us to calculate your tax position and ultimately how much you can draw down on your pension, ensuring you not only use your allowances to their full potential, but that you also stay within a favourable rate of tax.

We are currently planning a Pension Seminar to be held in early March 2015. The seminar will take place at Cleve Rugby Club and will include a guest speaker. More details to follow in the New Year.

Staff News

We would all like to wish Ann Butt in our Personal Tax Department a very Happy Birthday.

Ann recently celebrated her 70th Birthday and has now taken the title of Copson Grandfield's first 'Septuagenarian', with Rose Nowell soon to follow….

Insolvent Companies

We advise many of our clients to trade through limited companies so that they can take advantage of the dividend regime to save tax and also to provide them with the protection granted by limited liability status.

However, we have become aware of instances where HMRC are using Insolvency practitioners to pursue shareholders and directors for unpaid tax if, when the company became insolvent there was an overdrawn Directors Loan account or if dividends were declared with insufficient profit to cover them.

It is vital that drawings are made or dividends are paid out only if the company has the profits (either current year or retained) to justify them.

If in any doubt please contact us. In order to avoid falling foul to the above (and for other tax planning exercises) we can always prepare a set of management accounts in order to see how the company is performing.

Iris OpenSpace

It's been over a year since we started using our new online portal 'Iris OpenSpace'. For those of you unfamiliar with OpenSpace, it is a secure cloud based document system. We upload your accounts, tax returns etc. and you can review and approve those documents online without having to print or post.

We plan to leave 2 years accounts and one year's tax returns online for you to access at all times. This means that if you ever need access to your information you can go online and view the documents there and then. You can also save a copy of the documents locally as a PDF file or print off a hard copy if required.

Many of our clients have found this new way of sending information both quicker and more convenient. If you have not yet tried Iris OpenSpace, or if you have been reluctant to in the past, we strongly suggest that you give it a go. If you decide that you would still prefer traditional paper copies, we will be more than happy to provide these instead.

Tax Tip - Seasonal Gifts

With the season of gift-giving fast approaching, it's important that you're up to date on the rules around gifts for clients and staff.

In general, HMRC advises that businesses treat gifts in the same way that they treat entertainment. This means that, with a few exceptions, gifts are not tax deductible.

But what are those exceptions and how can you make the most of them?

The **Office Christmas Party** is of course a tradition, but did you know it is also tax deductible?

Staff annual functions can be tax-free where the total cost per person attending is not more than £150 per year (including VAT). This applies to everyone attending and can also apply to other expenses, such as taxis or accommodation.

A big caveat is that if you overspend the amount per head then the whole cost of the party is subject to tax, and will need to be paid by reporting the benefit on the employee's P11D form, or the grossed up tax can be settled through a PAYE Settlement Agreement (PSA). A further national insurance bill will also be payable - so be sure to get the sums right!

Seasonal treats for clients and staff may also be deductible, but to qualify they must **'promotional gifts'**. This means displaying a 'conspicuous advertisement' in the form of your company logo. These could be anything from calendars and diaries to stress balls and festive snow globes.

Such gifts can be given to staff tax-free providing the overall cost does not exceed £50 per person per year. It's important to note that gifts of food, drink, tobacco and vouchers are specifically excluded from this scheme.

RTI Penalties - an update

HM Revenue & Customs have introduced new penalties for employers who report their PAYE information late. For large businesses (50+ employees) these penalties came in effect on **6 October 2014**, and will take effect for those with fewer than 50 employees from **6 March 2015**.

What will trigger a penalty?

- Late Full Payment Submission (FPS)
- Sending an unexpected/ incorrect number of FPS's
- Non-Submission of Employer Payment Summary (EPS) when you didn't pay any employees.

Penalties depend on how many employees you have:

1-9 Employees	*£100*
10-49 Employees	*£200*
50-249 Employees	*£300*
250 Employees or more	*£400*

If over 3 months late you may also be charged an additional penalty of 5% of the tax and National Insurance that you should have reported!

Failure to submit your FPS or EPS may result in an estimated assessment known as a 'specified charge', which is based on your previous filing history. This doesn't replace the need for you to send your FPS or EPS. Submission of a missing FPS/EPS will replace the charge(s) with the actual amount(s) due.

If you get a penalty:
HMRC sends penalty notices quarterly. A notice will include what you owe, how to pay and what to do if you don't agree with HMRC's decision. Payment must be made within 30 days in order to avoid interest charges.

The first penalty notices for tax year 2014 to 2015 will be issued in January 2015. You can appeal if you think a penalty is not due/ incorrect, or if you had a 'reasonable excuse' for late submission. Examples of a 'reasonable excuse' are as follows:

- Death/Bereavement/Poor health
- Filing expectation incorrect
- Filed on time (HMRC info incorrect)
- Fire/Flood/Natural disaster
- IT difficulty
- No employees/No payments to employees
- Theft/Crime

A penalty notice will contain a 'Unique ID' for each penalty shown on the notice. You must include the Unique ID to identify which penalty you wish to appeal against.

Where HMRC discovers careless or deliberate errors, any penalties will be based on the behaviour that led to the error and the amount of potential lost revenue.

Errors that arise, despite taking reasonable care, attract no penalty at all and penalties for errors due to failure to take reasonable care can be reduced to zero with full and unprompted disclosure to HMRC.

"It looks like everyone will be getting what they want this year… somebody posted my credit card details online!"

Scam Artists gone Phishing this Christmas?

In the run up to the festive season it would appear that the con-artists trying to obtain your personal details and bank account information are still hard at work.

We've received reports of various new or reworked scams in recent weeks, all of which aim to do one thing… leave you out of pocket!

As well as the increasing familiar emails claiming to be from HM Revenue & Customs, which can quite safely be deleted, there are also other techniques that these fraudsters are using, namely masquerading as banks and other financial institutions.

One such scam is an email from 'Lloyds Bank Security Team', claiming 'Irregular Activities' regarding your account, you are then prompted to 'Verify' your account via a separate link, which in turn requires you to enter various security details and personal information, ironically giving away the details needed to compromise your account.

Another simple but clever trick emulates the above, but in the form of a phone call, again suggesting that your account has been fraudulently accessed, and that you need to provide certain details in order to regain access.

In all scenarios we would strongly advise that you either ignore, or refuse to give out these details. If you are unsure whether any messages/ calls etc are genuine we suggest that you contact your bank directly. These scams are becoming increasingly sophisticated, don't get caught out!

Self-Assessment Deadline

Christmas may just be around the corner, but don't forget, the deadline for Self-Assessment isn't too far behind!

If you haven't yet filed your 2013/14 Tax Return, please be aware that time is running out. The deadline for submission, and payment to HM Revenue & Customs is **31 January 2015.**

In order to complete your 2013/14 Tax Return we will need to receive your Personal Income details, together with your Accounting Records (if applicable) **as soon as possible**.

Failure to meet the deadline will result in an automatic £100.00 penalty, which HMRC will enforce regardless of whether you owe tax or not!

Continued failure to submit your return may also result in daily penalties, surcharges and interest, which can become very expensive, very quickly.

Don't start the New Year with a penalty! Let's get that Tax Return submitted!

If you are unsure of what details you need to provide, or if you need any help/ advice obtaining the required information, please do not hesitate to contact either your Portfolio Manager, or a member of our Personal Tax Team.

Christmas Hours

Our offices will be closed from 1.00pm on Wednesday 24th December 2014.

We will reopen at 8.30am on Monday 5th January 2015.

We wish you all a Happy Christmas & New Year!

Christmas is a Joke!

1. What did Adam say on the day *before Christmas?* It's Christmas, Eve!
2. What happened to the man who stole an Advent Calendar? He got 25 days!
3. Why is Christmas just like your job? You do all the work and the fat guy in the suit gets all the credit!