

Dear Client,

Welcome to the March monthly tax newsletter. These newsletters are designed to keep you informed of the latest tax issues.

We hope you enjoy reading the newsletter; remember, we are here to help you so please contact us if you need further information on any of the topics covered.



## DON'T LOSE YOUR PERSONAL ALLOWANCE

For every £2 that your adjusted net income exceeds £100,000, the £10,600 personal allowance is reduced by £1. Pension contributions and Gift Aid can help to reduce adjusted net income and save tax at an effective rate of 60%.

## YEAR END PENSION PLANNING

Take advantage of the pension carry forward rules in order to benefit from any unused allowances from the previous three tax years. This is generally the difference between the old £50,000 annual pension allowance and your pension input that year and can be added to your relief for 2015/16. Note that the annual pension allowance is £40,000 for 2015/16 and 2016/17, although those individuals with income over £150,000 will have their annual pension allowance reduced by £1 for every £2 over £150,000.

To avoid losing pension relief brought forward from 2012/13 which lapses 5 April 2016, consider making an additional pension payment before 5 April 2016. If your pension input was £24,000 in 2012/13 then there is £26,000 unused relief available to add to your 2015/16 allowance. You would need to make gross pension contributions of at least £66,000 (£40,000 plus £26,000) to avoid losing this generous relief.

## WILL PENSION TAX RELIEF CHANGE AGAIN ON BUDGET DAY?

There has been a lot of speculation that the Chancellor may announce further major changes to tax relief on pension contributions in his March Budget, based on consultations with the pensions industry.

Under the current rules an individual's contributions can save them tax at their highest marginal rate and also help them avoid losing their personal allowance (see above). So a £8,000 pension contribution by a higher rate taxpayer results in £2,000 (20%) being added to their fund by HMRC = £10,000 gross. The £10,000 gross contribution would then save a further £2,000 in tax, so the net cost would be just £6,000 if they are a higher rate tax payer.

It is understood that the Government is considering introducing a flat rate of pension tax relief of between 25% and 33%, which would be good news for basic rate taxpayers, but higher rate taxpayers would lose out. If say a 30% rate of relief was to be introduced, a £7,000 contribution would be topped up to £10,000 with no further relief. It has also been suggested that it may not be possible in future to agree with your employer to sacrifice part of your salary in exchange for an additional tax free employer pension contribution. The starting date of these possible changes is uncertain but they may be effective from Budget Day!

## MAKE CHARITABLE PAYMENTS UNDER GIFT AID TO SAVE MORE TAX

Higher rate taxpayers should make any charitable payments under Gift Aid so that they obtain additional tax relief. The charity will also be able to reclaim the basic rate tax from HMRC making it even better.

## YEAR END CAPITAL GAINS TAX PLANNING

Have you used your 2015/16 £11,100 annual exemption? Consider selling shares where the gain is less than £11,100 before 6 April 2016. Also, if you have any worthless shares, consider a negligible value claim to establish a capital loss. You may even be able to set off that capital loss against your income under certain circumstances.

## USED YOUR 2015/16 ISA ALLOWANCE?

Your maximum annual investment in ISAs for 2015/16 is £15,240. Your investment needs to be made before 6 April 2016. In addition, have you thought about investing for your children or grandchildren by setting up a Junior ISA? In the 2015/16 tax year, you can invest £4,080 into a Junior ISA for any child under 18.

## OTHER TAX EFFICIENT INVESTMENTS

If you are looking for investment opportunities, have you considered the Enterprise Investment Scheme (EIS)? These investments in certain qualifying companies allow you to set off 30% of the amount invested against your tax bill as well as capital gains tax (CGT) deferral. An even more generous tax break is available for investment in a qualifying Seed EIS company where income tax relief at 50 per cent is available and in addition it is possible to obtain relief against your 2015/16 capital gains. Both EIS and Seed EIS also provide a CGT exemption when the shares themselves are sold after 3 years. Note however that qualifying EIS companies tend to be risky investments so professional advice should be taken.

A 30% income tax break is also available by investing in a Venture Capital Trust.

## INHERITANCE TAX PLANNING BEFORE 6 APRIL 2016

Have you made use of your annual Inheritance Tax (IHT) exemptions? The annual exemption is £3,000 per donor (plus last year's £3,000 exemption if you did not use it). Also consider making regular gifts out of your income to minimise the growth of your estate that will be liable to IHT. Gifts out of your surplus income are not subject to IHT if properly structured.

## BUY NEW MACHINERY BEFORE 6 APRIL?

Those running a business and making up accounts to 5 April should consider buying plant and machinery to take advantage of the Annual Investment Allowance (AIA) of £200,000. The AIA provides a 100% tax write off for equipment used in your business. This tax relief extends to fixtures and fittings within business premises such as electrical, water and heating systems. There is also 100% tax relief if you buy a new car that emits no more than 95g CO<sub>2</sub> per kilometer and an increasing number of cars now fall below that limit.

Note that 5 April is not relevant if your business makes up accounts to a date other than 5 April. If your business year end is say 30 June, then you would need to acquire the equipment before that date to get the 100% tax relief.

## CONSIDER PAYING DIVIDENDS BEFORE 6 APRIL 2016

Something that we have mentioned in previous newsletters for those running their own companies is to consider paying dividends before 6 April 2016 when the new system of dividend taxation starts. Although the first £5,000 of dividends will be taxed at 0% from 2016/17, once that has been used up there will be a 7.5% across the board increase in the rate of tax on dividends. Please contact us to arrange a meeting to discuss this further.

## BUT DELAY REPLACING FURNITURE IN BUY TO LETS UNTIL AFTER 6 APRIL 2016?

Tax relief for the replacement of furniture, including white goods, is being reinstated where the expenditure is incurred on or after 6 April 2016. This is good news for those landlords renting out properties unfurnished but providing white goods where the tax relief had been withdrawn in 2013.

## TAX DIARY OF MAIN EVENTS

Date	What's Due
1 March	Corporation tax for year to 31/5/15
19 March	PAYE & NIC deductions, and CIS return and tax, for month to 5/3/16 (due 22 March if you pay electronically)
1 April	Corporation tax for year to 30/6/15
5 April	End of 2015/16 tax year, many tax actions need to be taken by this date (see above).
19 April	PAYE & NIC deductions, and CIS return and tax, for month to 5/4/16 (due 22 April if you pay electronically)

Grant & Co is an independent firm of Chartered Accountants, based in Cheltenham, Gloucestershire.

Please contact Matthew Gray on the telephone number below or at [admin@grantandco.co.uk](mailto:admin@grantandco.co.uk) if you would like to discuss any of the issues raised.