

DECEMBER 2015



5 WAYS TO BEAT THE TAX MAN

How to beat the taxman and increase your wealth—honestly

The difference between tax avoidance and tax evasion is the thickness of a prison wall. While tax avoidance is simply clever financial planning, tax evasion is illegal. Being tax-efficient is no crime, and its not just for millionaires. Reducing your tax bill through legitimate means can bring a greater return on your investments and a smaller tax burden.

1. Those who are self-employed can claim for the extra costs involved in running a business from home. This includes lighting, heating, property insurance, repairs and even mortgage interest. These costs can be offset against profits, reducing your overall tax bill. You can get tax relief on items such as desks, computers, chairs and stationery and communications to advertising and business entertainment costs, and rent for business premises.
2. Many people fail to maximise pension and ISA savings, which can be extremely tax-efficient. Everyone can shelter up to £15,240 a year in an ISA, of which half can be in cash. This means a couple can effectively invest £30,480 a year, on which they pay virtually no tax on income or growth.
3. If a member of your family has no income, you could employ them in your business or take them into partnership, and save a significant amount of tax. Care must be taken to ensure that the arrangement is commercial and the level of pay is commensurate with the duties performed to avoid an attack by HMRC. The National Minimum Wage rules also need to be considered, although the National Minimum Wage does not apply to directors.
4. A large number of people are entitled to either one or both of the child tax credit and the working families tax credit. Eligibility can easily be checked by going to the HMRC website (www.hmrc.gov.uk) and clicking on the link for tax credits.
5. Investing in a pension for a non-earning spouse is one of the most generous government tax give-aways. Non-earners can contribute up to £2,880 and the government automatically adds a further £720, even if the individual pays no tax. This is the case for all UK residents under 75, so contributions can also be made on behalf of a child.

TAX CREDITS DEADLINE

Please remember you have until 31 January 2016 to finalise your income figures with the Tax Credit office. So if you have not yet provided actual income please do so before the deadline to avoid any potential overpayment.

SELF ASSESSMENT DEADLINE

The deadline to submit your 2014/2015 self assessment tax return online is 31 January 2016. Missing the tax return deadline by a single day will result in a fixed penalty of £100 which applies regardless of how much tax you actually owe. In previous years the penalty was reduced to nil if you had no tax to pay. The longer you delay in submitting your tax return, the higher the fine you incur.

RESTRICTION OF BUY TO LET INTEREST

In the Summer Budget it was announced that mortgage interest relief for buy to let landlords would start being phased out from 2017/2018 onwards and restricted to basic rate only from 2020/2021. Now that the Finance Bill has been published the full impact of this change is starting to emerge and for some landlords the result is a significant increase in the tax payable as their rental profits will now be taxed at higher rates. This is because mortgage interest will no longer be an allowable deduction in arriving at rental profits. For example a landlord with

£60,000 of gross rental income, £6,000 of agent's commission, £8,000 of repairs and other expenses and £40,000 of interest would currently have £6,000 of net rental profits. However, from 2017/2018 the interest relief will start being restricted, and from 2020/2021 there will be no deduction for interest, which would mean that, assuming the rent and expenses remain the same, the taxable rental income would be £46,000. For many landlords this will mean the rental will fall into the higher rate tax bands and the £40,000 interest will result in a £8,000 basic tax reducer to set against the tax liability.



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TAX RELIEF FOR REPLACING FURNITURE IN LET PROPERTIES

The government announced in the Summer that from April 2016, the current 10% wear and tear allowance for furnished lettings will be replaced with a relief that enables all landlords of residential dwelling houses to deduct the costs they actually incur on replacing furnishings in the property. This will give relief for capital expenditure to a wider range of property businesses.

The new relief will apply to all landlords with residential dwelling houses, no matter what the level of furnishing. Those operating furnished holiday lettings businesses will continue to claim capital allowances instead of the new replacement basis. If enacted the new rules will apply from 6 April 2016 for income tax purposes and 1 April 2016 for corporation tax.

The new replacement furniture relief will only apply to the replacement of furniture, furnishings, appliances and kitchenware provided for the tenant's use in the dwelling house. The initial cost of furnishing a property would not be included.

This will put the old concessionary basis that applied up until 5 April 2013 on a statutory footing, and is welcome news for those letting properties unfurnished and providing white goods, carpets and curtains, where relief had been withdrawn for a three year period.



WINTER FACTS!

- Every Winter, at least one septillion (that's 1 followed by 24 zeros) snow crystals fall from the sky.
- Winter cold kills more than twice as many Americans as Summer heat does.
- The coldest temperature ever recorded was .123 degrees celsius at Vostok Station in Antarctica in 1983.
- Winters in Russia are so harsh that they were a natural defence during war.
- Snows comes in a variety of colours, yellow, orange, green and even purple. Actually, it's translucent but it can contain dust or algae that give it different colours.
- Reindeer are strong, energy-efficient running machines. A 20 pound new calf can outrun a man.

REMEMBER CHANGES TO THE COLLECTION OF NATIONAL INSURANCE CONTRIBUTIONS

From this year, Class 2 national insurance contributions (NIC) will be collected through self assessment along with Class 4 NIC in an attempt to streamline the process.

Under the old system, Class 2 NIC was calculated automatically and collected via direct debit. However, from July 2015, the direct debit will have automatically ceased with no need to take further action.

If you are employed as well as self employed and paying class 1 NIC, this will also mean you no longer have to apply for a self employed exception certificate from 6 April 2015 cutting down on cumbersome admin.

Are you self employed and approaching state retire age? You pay class 2 NIC up until you reach 65 and not a day after. However, Class 4 national insurance is different and is paid right up to 5 April in the year you turn 65.

If you have any questions on the above or would like to discuss further please give Niall a call on 028 82 247546.

Client Spotlight: Lowry Building & Civil Engineering Ltd

Our client Lowry Building & Civil Engineering Ltd were recently awarded with a Social/Community Construction Award for the work carried out on the construction of the new Omagh Community Fire Station & District Headquarters.

This project was technically challenging, both by design and intense completion programme. Their team worked tirelessly throughout the construction phase to achieve quality completion. The futuristic design incorporated curved and asymmetric structural steel fabrication enclosed by the red Kalzip roofing system and extensive coloured glass facade and utilises innovative technologies like Hormann sectional automatic appliance by doors and Geargid uniform drying system.

With over 50 years experience Lowry Building & Civil Engineering Ltd provide all types of comprehensive building services in every sector to the highest possible standard.



The newly constructed Omagh Community Fire Station

They are excellently equipped and resourced with some of the most highly trained professionals in the industry to take on building projects ranging from private dwellings to schools, business parks, hospitals and more.



Lowry provide a wide range of services ranging from Building, Civil Engineering, Facilities Management, Plant Hire, Demolition and Recycling.

Their team are at the heart of everything they do. The success of every project is determined by the team who work on and alongside it. As well as training and developing their existing workforce, they believe the continual recruitment and retention of high calibre individuals will help them go where they want to be. All their employees are encouraged to reach

and exceed their career goals in a supportive and progressive environment, with an on-going programme of training and development.

Contact details:

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HMRC TAX ENQUIRIES

Tax compliance checks by HMRC aren't necessarily bad news for your business. Although a tax inspection is often triggered by a discrepancy in your figures, they can also be carried out completely at random. Whilst it is important to act relatively quickly, you should not succumb to panic. Yes, all investigations are serious, but you must stay calm under pressure. Steve Pipe a world renowned business adviser recently advised it is imperative you have a good accountant fighting your corner. They will make sure that you do what you need to do, on time and with the minimum of stress. Without your accountant it will be a very one sided situation, with HMRC having all the advantages and power. Steve Pipe isn't the only one recommending you are properly prepared for a Tax Enquiry. The Federation of Small Businesses (FSB) also recommend that small business owners who find themselves under investigation should get expert help to limit potential damages. You must therefore take a Tax Enquiry very serious and put maximum effort into defending yourself to ensure the best possible outcome. This is where our Fee Protection Service comes in. We now believe that **ALL** clients should be covered with Fee Protection Insurance in the face of increased attacks from HMRC. Clients who have used this service confirm that they would not be without it and it relieves a lot of stress from their shoulders knowing that all fees incurred will be covered. We will therefore issue a bill each year to all our clients as we must professionally act in your best interests at all times to ensure you are best protected from HMRC Enquiries. Ring Kelley at our office should you have any queries or concerns over this and she can go over the pros and cons of the service. You are free, of course, to cancel this cover if you feel you don't need it. We can only give you our best advice and we will be comfortable in the knowledge that you were given the opportunity to have this cover in place.

TYRONE ACCOUNTANCY TEAM NEWS!

CATHY KELLY



All the team here at Tyrone Accountancy Services attended the recent wedding of Cathy Kelly (nee McMenamin). Cathy married her childhood sweetheart Paddy at her local Chapel in Castlederg. After months of planning every last detail was carried out to perfection. An amazing day was had by all. A massive congratulations to Cathy from all the team.

LISA MCGOLDRICK



Congratulations to Lisa McGoldrick who recently successfully passed her Final Chartered Accountants exams. Well done from all the team at Tyrone Accountancy Services.

Christmas Parties

Thinking of having a staff Christmas party?

As an employer providing social functions and parties for your employees you may have certain NI and reporting obligations. What you need to report and pay depends on:

- If it's an annual event
- If it's open to all your employees.
- If it costs more than £150 per head.
- How many events you provide during the tax year.
- Whether the employee is a director, and how much they earn.

What's exempt:

You might not have to report anything to HMRC or pay tax or NIC if:

- £150 or less per head
- Open to all your employees.



It's Christmas and everyone here at Tyrone Accountancy Services want to say Thank You and that it's been a pleasure working with you this past year.

This concludes our newsletter. If you would like any further detail on any of the topics raised or would like any assistance on any other matter, please do not hesitate to contact us.

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