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Tax saving tip:

Up to 5 April 2014, you can still invest your ISA allowance for 2013/14, before utilising the 2014/15 NISA allowance from 1 July 2014.

Class 2 National Insurance Contributions (NIC)

With the aim of simplifying the way that national insurance contributions are collected, class 2 contributions for the self-employed will be collected through the self-assessment regime alongside tax and class 4 contributions. These changes will take effect after April 2016, however the class 2 contributions will be withdrawn from April 2015.

Class 2 NICs for 2014/15 amount to £2.75 per week or £143 per annum.

Tax saving tip:

If your income from self-employment is below £5885 in 2014/15 then it is possible to pay no class 2 contributions by claiming the Small Earnings Exemption (SEE). Speak to your client manager if you think this may be the case.

Corporation Tax Rates

Corporation tax will be charged at the main rate of 21 per cent for the financial year beginning 1 April 2014. There will be a one per cent reduction for the financial year beginning 1 April 2015 when the rates will be uniformed at 20%.

Annual Investment Allowance

The Annual Investment Allowance is currently set at a maximum of £250,000 but this is to be increased from April 2014 to £500,000 for an extended period before returning to its original limit of £25,000.

These changes will have effect from:

- 1st April 2014 to 31st December 2015 for corporation tax; and
- 6th April 2014 to 31st December 2015 for income tax.

The maximum amount of the AIA was temporarily increased to £250,000 from £25,000 for the period from 1st January 2013 to 31st December 2014. The Chancellor, in his budget extended, the period of the temporary increase to 31st December 2015 and further increased the amount of the AIA to £500,000 from April 2014.

Businesses are able to claim the AIA in respect of their expenditure on both general and 'special rate' plant and machinery. There are, however, certain exceptions, the main exception being expenditure on cars. The AIA is a 100 per cent upfront allowance that applies to qualifying expenditure. Where businesses spend more than the annual limit, any additional qualifying expenditure will attract relief under the normal capital allowances regime, entering either the main rate or the special rate pool, where it will attract writing-down allowances at the 18 per cent or 8 per cent rate respectively.

Tax saving tip:

If you plan to undertake any substantial spend on plant and machinery then it is vital that you speak to a client manager in order to calculate the most tax efficient date to make this expenditure. With rates of allowance varying widely from £250,000 up to April 2014, £500,000 to December 2015 and then £25,000 from 1st January 2016, and subject to your accounting date, it could mean the difference between achieving full tax relief for your spend or only a small proportion being allowable.

Interesting Fact:

From 2013-14, small businesses are able to use the simpler income tax cash basis which simplifies the way in which small businesses can calculate their trade profits. However, we strongly recommend you check with your account manager before moving to the cash basis as you may miss out on certain tax reliefs.

We are here to help

We can help you by ensuring that you're aware of the changes that will affect you, your family and your business. To find out more about the ways that we can help you, do not hesitate to contact us.

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With the dust settling on Mr Osborne's 5th budget we take a whistle stop tour of some of the tax saving actions which you may want to consider over the coming months. As always, our team are happy to discuss your tax planning opportunities.

Income tax personal allowances

The 2013 budget increased the personal tax allowance for 2014/15 for those born after 5 April 1948 to £10,000. The 2014 budget increased the allowance to £10,500 with effect from April 2015.

For those born before 6 April 1938 the allowance for 2014/15 and 2015/16 remains static at £10,660.

Tax saving tip:

Providing total income is below the personal allowance then savings income can be paid gross. If you know of anyone who may have savings income but is not using their full personal allowance then speak to a member of the team who will be able to help.

The starting rate for savings income

The 2014 budget abolished the 10% starting-rate of tax for savings income and replaced it with a new 0% rate from April 2015. The starting rate is currently charged on the first £2,880 and this has been increased from April 2015 to savings income up to £5,000.

Tax saving tip:

From April 2015 anyone with only savings income which amounts to less than £15,500 will not pay any tax at all. It is necessary to complete an application to have the interest paid gross, so if you or any of your family members are in this position please talk to a member of the team.

The basic rate limit

Tax will be charged at the basic rate of 20% on income after deduction of personal allowances up to £31,865 from 6th April 2014 and on income after deduction of personal allowances of £31,785 from 6 April 2015.

You will see that the impact of the increase on personal allowances means an increase in the basic rate band of £420 per annum which translates into a tax saving of £84 for average income, basic rate taxpayers.

Transferable tax allowances for married couples

With effect from April 2015 a spouse or civil partner will be able to transfer £1,000 of their personal allowance to their spouse or civil partner. This option will be available where neither spouse nor civil partner is a higher or additional rate taxpayer. With a basic rate of income tax of 20%, the recipient's tax liability will be reduced by up to £200 for the tax year.

The 2014 budget increases this allowance to £1,050 to take effect on 6 April 2015 a reduction of £210 to the couple's tax bill.

Tax saving tip:

Where one spouse or civil partner is a higher rate tax payer, you may wish to consider your ownership of income producing assets between spouses or civil partners to minimise the tax liabilities. Income producing assets can often be gifted between couples without incurring capital gains tax charges – why not talk to a member of the team?

Childcare subsidy - £2000 per child

As many as 1.9 million working families will get the chance to benefit from a childcare subsidy worth up to £2,000 per child by registering for an online scheme. The subsidy will be available for children up to the age of 12 and comes in from September 2015.

This scheme is available for families where both parents work and earn less than £150,000 each per annum.

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Tax saving tip:

The parents will pay into the online account and the government will add the equivalent of tax relief. For example if the family's childcare costs amount to £6,000 per annum then the parents will pay in £4,800 over the year and the government will then add £1,200 to the account.

Changes to access to defined contribution pension savings

The Chancellor has announced a number of changes to the current rules that will come into effect from 27 March 2014. This will allow people to have greater freedom and choice when accessing their defined contribution pension savings at retirement.

The changes are:

- reducing the amount of guaranteed income people need in retirement to access their savings flexibly, from £20,000 to £12,000
- increasing the amount of total pension savings that can be taken as a lump sum, from £18,000 to £30,000
- increasing the capped drawdown withdrawal limit from 120% to 150% of an equivalent annuity
- increasing the maximum size of a small pension pot which can be taken as a lump sum (regardless of total pension wealth) from £2,000 to £10,000 and increasing the number of personal pots that can be taken under these rules from two to three

This will be supported by a new requirement for pension providers to make sure that everyone retiring with a defined contribution pension pot receives free and impartial face-to-face guidance on the choices they face when deciding how to use their retirement savings.

Pension's savings tax relief

This remains static in 2015/16 at the 2014/15 figures of £1.25 million and the annual allowance at £40,000.

Tax saving tip:

If you plan to apply for fixed protection 2014 for pension pots in excess of £1.25 million and your company is due to "stage" for automatic enrolment then please speak to the team as soon as possible as the fixed protection 2014 can be rendered invalid if you automatically enrol into a pension scheme and do not opt-out within the one month allowed.

Share Schemes

Increase in limits under employee share schemes – from 6 April 2014 the maximum value of shares that employees can acquire under all-employee Share Incentive Plans (SIP), and Save As You Earn option schemes (SAYE) will increase.

The individual limits under SIP increase to:

- £3,600 on the 'free' shares companies can award to employees; and
- £1,800 on the 'partnership' shares employees can purchase. The amount that employees can save under SAYE arrangements and apply towards the purchase of shares will increase to £500 per month.

The other changes to employee share schemes are that the business introducing the scheme from 6 April 2014 will self-certify that the scheme complies and the registration and filing of returns will move online.

Tax saving tip:

If you get shares under a Share Incentive Plan and keep them in the plan for five years, you will not pay Income Tax (IT) or National Insurance Contributions (NIC) on their value when you acquire them. You also won't pay any Capital Gains Tax (CGT) if you keep them in the SIP until you sell them. However if you keep the shares after you take them out of the plan, you may have to pay CGT on any increase in value between when you take them out and when you sell them. If you take shares out of the SIP early, you will pay IT and NIC on the amount depending on when you take them out.

UK residential properties valued at £2m or more

Non-natural persons (companies, partnerships with company members and collective investment schemes are collectively referred to as non-natural persons (NNPs)) owning UK residential property are subject to an annual tax on enveloped dwellings (ATED) if the property is valued at more than £2 million.

From 1 April 2015 a new band will come into effect for properties with a value greater than £1 million but not more than £2 million with an annual charge of £7,000. From 1 April 2016 a further new band will come into effect for properties with a value greater than £500,000 but not more than £1 million with an annual charge of £3,500. There will be a transitional rule for the £1 million to £2 million band requiring returns to be filed on 1 October 2015 and payment by 31 October 2015.

Tax saving tip:

When buying or selling a residential property, you should seek tax advice as early as possible. The main UK taxes to consider are Stamp Duty Land Tax and Capital Gains Tax but depending on your circumstances a review of your Inheritance Tax position may also be advisable. Your tax position will depend on whether or not you are UK resident for tax purposes. It is important that you also consider the tax implications in any other countries appropriate to your particular circumstances.

Second Properties

The 1965 Capital Gains Tax legislation introduced a period of exemption of 12 months so as not to disadvantage taxpayers who have two homes, recognising the difficulties individuals may have in a property market which was stagnant and when the period from placing a home for sale through to completion of the sale may often take many months if not years. By 1991 this exempt period had risen to 36 months.

From April 2014 that deemed period falls to 18 months which will impact on taxpayers with two or more residences.

Tax saving tip:

If you have two or more residences then careful calculation of the use of this final period of ownership and making the appropriate elections are essential PRIOR to the placing one property for sale.

Premium Bonds

The amount an individual can invest in premium bonds will increase from 1 June 2014 to £40,000 and from 1 June 2015 to £50,000 and the number of £1,000,000 winning tickets will be doubled! Good luck everyone!

Pensioner Bonds

National Savings and Investments (NS&I) will use some of these receipts to fund the new pensioner bonds for those over 65 years old from January 2015. There will be a choice of fixed rate investments which the Chancellor hopes will be market leading products and which are taxable at the pensioners' marginal rate.

The Seed Enterprise Investment Scheme (SEIS)

The Seed Enterprise Investment Scheme (SEIS) will become a permanent feature of legislation from royal assent in July 2014. This allowance, can create many tax advantages subject to certain restrictions, but if you are considering investing in Seed EIS, independent financial advice should be sought and we would be delighted to put you in touch with an Independent Financial Adviser.

Tax saving tip:

Subject to certain restrictions, income tax relief of 50% may be enjoyed on Seed EIS investments and after holding the investment for two years you receive 100% inheritance tax relief. There is also the possibility of wiping out potential capital gains on the prior disposal of business assets. When considering whether tax relief is available please speak to your client manager.

Venture Capital Trusts (VCT)

From 6th April 2014 an individual's entitlement to VCT income tax relief will be restricted where investments are conditionally linked in any way to a VCT share buy-back, or have been made within 6 months of a disposal of shares in the same VCT.

From 6 April 2014 HM Revenue and Customs (HMRC) will be able to withdraw tax relief in all cases if VCT shares are disposed of within 5 years of acquisition and, also from 6 April 2014, it will not be possible for VCTs to return capital subscribed by investors within 3 years of the end of the accounting period in which the shares were issued.

It's a NISA ISA - Individual Savings Account (ISA), Junior ISA or Child Trust Fund (CTF).

From 1 July 2014 ISAs will be reformed into a simpler product called the New ISA (NISA). All existing ISAs will become NISAs. From the same date, for the 2014/15 tax year the overall annual subscription limit for these accounts will be increased to £15,000.

Under the NISA, investors will also have new rights to transfer their investments from a stocks and shares ISA to a cash account. This will benefit those who like to save but are uncomfortable investing in stocks and shares. For those who are comfortable with stocks and shares investments, there will be changes to the rules on the investments that can be held in a NISA, so that a wider range of securities can be invested in. The amount that can be subscribed to a child's Junior ISA or CTF in 2014-15 will also be increased to £4,000.