

## Company Taxation (CT)

The rate of CT has been aligned from 1 April 2015 so that the small company rate, the marginal rate and the main rate will all be set at a single rate of 20% (with the exception of North Sea Oil and Gas ring fenced profits).

Research and Development (R&D) Tax Credit Relief has increased to 230% for small and medium sized businesses. This means that for every £100 spent on research and development you receive a tax credit of £230.

### Action Point

R&D Tax Credit Relief can be claimed in many circumstances. If you think you may develop a product which is appreciably improved or have developed a new or innovative product or a method of developing or manufacturing a product, please speak to your client manager who will be able to advise you if you can make a claim for this relief

The Film Tax Credit Relief was announced for the wealth of UK small film makers. A tax credit relief is available for the film industry of 25% of all qualifying core expenditure, for all eligible film productions.

For a film to be eligible for relief it must be certified as British and a minimum of 25% of its budget must be spent on UK qualifying production expenditure.

This tax credit is expected to take effect around 1 April 2015.

Orchestra Tax Relief - Pomp and Circumstance legislation will introduce a new relief for orchestras. The relief will have effect from 1 April 2016. More information will follow on this relief.



## And Finally

Charities will be able to claim gift aid on small donations of up to £8,000 a year without needing any paperwork.

Beer duty is reduced by a penny a pint, and there is a 2% cut in duty for spirits and most ciders. The duty on wine is frozen.



## 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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George Osborne delivered his sixth Budget on 18th March 2015. It was a budget with few major tax implications other than for savers.

## Personal Savings Allowance (PSA)

There will be a Personal Savings Allowance (PSA) introduced meaning that the first £1,000 of savings income will be free of tax if you are a basic rate taxpayer. If you are a higher rate tax payer then that amount is restricted to the first £500 of savings income. There will be no PSA available for additional rate taxpayers.

According to the Chancellor this allowance will take 95% of all savers out of tax but the added benefit is that if you are not a taxpayer you will no longer need to reclaim the tax deducted from your savings from HM Revenue and Customs (HMRC) annually.

To qualify for the top rate of PSA your income will need to be below £42,700 per year and for the reduced rate of PSA your income will need to be between £42,701 and £150,000 per year.

This means a potential tax saving of £200 for every basic or higher rate tax paying saver.



### Examples

John has earned income of £20,000 and bank interest of £700. From April 2016 all of his bank interest will be paid tax free.

Jane has earned income of £70,000 and building society interest of £700. From April 2016, £500 of her interest will be tax free and she will pay tax on the difference between her interest and the PSA. She will be taxed on the balance of £200.

## Help To Buy ISA

The big news for first time home buyers is the new Help to Buy ISA. It will be available from the autumn of 2015 for 4 years through banks and building societies. Once you have opened an account there is no limit on how long you can save for.



It is possible to make an initial deposit of up to £1,000 and after that monthly deposits of up to £200 can be made. There is no minimum monthly deposit.

At the time a first home is purchased the government will add a bonus to the account. This bonus will be the equivalent of £50 for every £200 deposited up to a maximum bonus of £3,000 per person. There is a minimum bonus size of £400.

The bonus is available to first time buyers purchasing UK properties with a purchase price of up to £450,000 in London and up to £250,000 outside London.

### Example

John and Steve are buying their first home and each have a Help to Buy ISA account. John has saved £5,000 and Steve has a total of £7,000 saved. Their home costs £150,000 and they need £15,000 as a 10% deposit. They use their Help to Buy ISA accounts totalling £12,000 and the government tops these up with a £1,250 bonus for John and a £1,750 bonus for Steve to make the full deposit.

ISAs were a focal point of the 2015 budget with a further announcement on the freedom to withdraw funds and subsequently re deposit these funds into your ISA of choice for the tax year without this action counting towards your annual ISA limit.

There may be practical problems for the application of this flexibility and more details on this will be published before the autumn.

The ISA limit for 2015/16 remains unchanged at £15,240.

## Pensions Annuities

The much discussed changes to pensions' savings have entitled pensioners to use these savings as they wish from April 2015.

But consideration was needed for those who had already purchased an annuity with their retirement funds at some point in the past. The budget announced changes from April 2016 which will allow individuals who are already receiving income from an annuity to sell that income to a third party as and when they choose.

The logistics of valuing the annuity will cause some problems as annuities are an income payment, the value of which is based on life expectancy, and third parties looking to purchase these income streams may penalise or devalue the annuity in differing circumstances.

## Pensions Lifetime Allowance

The amount an individual can save into their pension in their lifetime without suffering tax penalties has been reducing year on year. This budget was no different and the Chancellor announced a further reduction in this lifetime allowance down to £1 million from April 2016.

The individual lifetime allowance applies to the total of all the pensions you save into but excluding your State Pension.

You may well have pension's savings greater than £1 million or be near to that limit and so an application will be required to gain protection from the tax penalties. You may already have a protection regime in place as a result of a previous fall in the lifetime limit, if so this will require checking to ensure it continues to deliver the protection after the next round of reductions.

**Take Action :-** If you believe your pension savings may be higher than the new limit, or you already have a protection regime in place, please speak to your client manager to discuss your most suitable course of action.



## Pensions Annual Allowance

Although there is no change to the annual amount you can put into your pension without suffering tax penalties it is always useful to consider the amount unused from previous years. There is the ability to utilise unused annual allowances from the three preceding years and this may form part of your business plan for exiting your business in a tax efficient manner.

### Remember

Please speak to your client manager before taking any action to exit your business.

## Other announcements

### Personal Taxation

**Personal tax free allowance** from April 2016 will be increased to £10,800 and from April 2017 it will go up further to £11,000. In that later year the higher rate threshold will also increase to £43,300.

### Small Businesses

**Class 2 National Insurance Contributions (NIC)** for the self-employed will be abolished and there will be reforms to Class 4 NIC which will include a contributory benefits test in the next parliament.

**The Self-Assessment Tax Return** system will be abolished and replaced with an online account which can be accessed whenever and wherever a taxpayer wants. This process will start with digital tax accounts being introduced for all 5 million small businesses by early 2016.

**Farmers Averaging** will be expanded to 5 years from 2 years from April 2016.

Floods, adverse weather conditions, disease and other uncontrollable factors have always affected farmers' profits. To ensure the tax paid by farmers on profits fairly reflect the ups and downs of their business the UK tax system allows farmers to be taxed on their average profits and from April 2016 farmers will be able to claim averaging for a period of 5 years.