Employee 'phone home!

It is possible for an employer to provide employees with a company mobile phone in exchange for a small reduction in an annual pay rise. As long as the employer only provides one mobile phone to the employee or his family, and the contract is between the business and phone provider then this would not be a taxable benefit in kind on the calls, rental or cost of phone for the employee. In addition the employer would save national insurance and the employee would save tax and national insurance on the contract cost.

This small tax and national insurance saving could be of interest to employees who are also company directors.

Pension savings and lifetime allowance protection

Most people won't have pension savings worth more than the £1.25 million lifetime allowance, however if your pension savings are worth more than this when you take your benefits, you'll have to pay the lifetime allowance tax charge on the excess - **currently at a rate of 55% of the lump sum taken,** unless you have lifetime allowance protection in one of the following formats.

Fixed Protection 2014

On 6 April 2014 the lifetime allowance was reduced to £1.25 million. A new form of protection called Fixed Protection 2014 (FP2014) was introduced to protect those who had built up pension pots of more than £1.25m but no more than £1.5 million. The application needed to be made by 6 April 2014 to get FP2014 and some clients may have missed out on this, however that may not be such a bad thing especially if your new employer has or is due to automatically enroll you into a workplace pension.

If your employer automatically enrolls you into a new workplace pension and you do not opt out within 4 weeks you will lose the benefits of FP2014 and are likely to have to pay the 55% tax charge on the difference in your pension savings and the lifetime allowance.

Individual Protection 2014

The good news is that a further form of protection called Individual Protection 2014 (IP2014) will also apply from 6 April 2014. It will provide protection of those savings with a value on 5 April 2014 of between £1.25 million and £1.5 million but unlike fixed protection 2014, a person with IP2014 can continue to accrue unlimited further pension benefits or pay contributions without losing their protection.

Applications for Individual Protection 2014 can start to be made on **18 August 2014** so please speak to a member of the team if you believe your pension pot may need protection.

Stop Press:

Tax Return late filing penalties
The deadline for filing a 2013/14 tax return in paper format is 31 October 2014 however HM Revenue and Customs (HMRC) have brought forward the date on which daily penalties for late filing of these forms are charged.

If the paper tax return is filed after 1 November 2014 you will be subject to a £100 fine with fines of £10 per day being levied from 1st February 2015. These two dates are both three months earlier than the dates for those who file online.

It is always preferable to have your tax return information with your client manager as early as possible to ensure early filing with HMRC but an added benefit is that in some cases underpayments of tax of up to £2,000 can be collected via the following years PAYE code number. It is necessary for your paper tax return to be filed with HMRC by 31st October or your tax return to be filed on line by 31st December in order for this treatment to be considered by HMRC.

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.

Tranter Lowe
International House, 6 Market Street, Telford, Shropshire TF2 6EF

Tel: 01952 619161
Jon Poole
Email: jon@tranterlowe.com

design : brightstar-creative.com

Phew, what a scorcher!

Schools have broken up for the summer and parliament takes its summer recess. What tax savings options can you consider over the long holidays? For those of you with children potentially it's a time to address your childcare options for the coming academic year or the way you fund items like travel season tickets. Or for those with older children and grandchildren why not look at your assets and think about the inheritance tax planning options available or make the most of the New ISA's (NISA) allowances. Whatever you do over the summer, thinking about ways to save tax is a great idea but remember there may be pitfalls you have not considered so it's always best to talk your ideas through with your client manager before taking action.

Childcare – v – Childcare

The government announced its latest initiative on childcare in the March 2014 budget. This is a great opportunity for the self-employed who, up until now have had no access to childcare arrangements attracting tax incentives. However the consideration for many employees, including company directors, is what is the most effective arrangement for them.

The definition of a qualifying child and qualifying childcare arrangements has not changed substantially between the old and the new scheme but what is really important to remember is that the old scheme is a tax related scheme. **The old scheme gives tax and national insurance** relief to the individual and **national insurance relief** to the employer who arranges and provides the scheme whereas the new scheme deposits a government subsidy into an online NS&I savings account specifically opened for the provision of childcare.

The new scheme will come into force in the autumn of 2015 and up until then the existing arrangement continues with the ability to set up employer supported childcare arrangements right up until the new regime comes in.

In considering why to continue with the existing scheme or whether to open a childcare scheme under the existing arrangements you should consider the differences:

The old tax incentivised scheme is made up of two slightly different regimes, one for the schemes set up and contributed to prior to 6th April 2011 and a different regime for schemes either set up after 6th April 2011 or where an individual first contributed to the scheme after 6th April 2011.

If you were lucky enough to have been a part of an old scheme **prior to 6 April 2011** then you are in the **ultimate tax saving** scheme. Individuals within these schemes who have placed at least one childcare voucher order in the last rolling 12 month period have something called "protected rights". Protected rights give tax relief on childcare costs up to £243 per month at the highest rate of tax payable by the taxpayer. Add to this the national insurance saving and the result is tax and NI relief of **47%!** Unfortunately if no order is placed for vouchers in the rolling 12 month period or if the employee moves to a different employer the protected rights are lost and the scheme moves to the post 6th April 2011 rates.

The post **6th April 2011** rates are less favourable with the childcare costs of £243 per month being restricted to basic rate tax payers who receive **£933 tax relief per annum** for their childcare costs. This is calculated at £243 per month or £2916 per annum @ 32% (20% tax and 12% national insurance) and where there are two parents in the scheme then that amount doubles to **£1866 tax relief.**

Higher rate and additional rate tax payers still receive tax relief but this is restricted to £28 per week for higher rate and £25 per week for additional rate tax payers making the actual tax and national insurance saved **£624** per annum in each case.

With the new government subsidised childcare provision which comes in during the autumn of 2015 there will be some winners and some losers. For example a basic rate tax paying working couple with one child paying around £5,000 a year for childcare will be worse off under the new scheme. This is because the scheme works by giving a top up of 20% to the amount deposited in the account. In this example the 20% top up would amount to £1,000 while under the old scheme the couple would have received £1,866 in tax relief. Contrast that with a higher rate tax paying working couple with three children spending £10,000 each child per year on childcare (£30,000) will be £4,752 better off. They will have received a £6,000 top up whereas each parent would only have received £624 tax relief.

To claim the top up both partners have to be working a minimum of 8 hours per week and on at least the minimum wage.

Parents currently have a choice as to which childcare provision is beneficial for them however a crucial factor to consider is that under the new scheme the top up payments cease in the first week in September following the child's **11th birthday** whereas if they have a current employer supported childcare scheme in place tax relief on childcare runs until the September following the child's **15th birthday.**

Top tip:

We can calculate the most financially efficient method for employees to receive their childcare assistance and if you are an employer and would like to deliver a scheme for your own use or the use of your employees then please speak to a member of the team.

Tax-free loans

It is possible for an employer to make a loan to an employee at a beneficial rate of interest or even at zero interest. When this happens it is called a beneficial loan and there may be tax consequences for the employee receiving the loan if the interest paid is lower than a rate prescribed by HM Revenue and Customs (HMRC) which for 2014/15 is 3.25%.

The amount chargeable is called the cash equivalent of the benefit of the loan. This is the difference between:

- the interest which would have been payable if the borrower had been required to pay interest on the loan at the appropriate official rate (or rates) for the tax year concerned and
- the amount of interest actually paid by the borrower for the same tax year.

If, however the combined outstanding value of the loans to an employee from 6th April 2014 to 5th April 2015 is less than £10,000 throughout the whole tax year then there is no requirement to report the loan to HMRC and no tax or NIC to be paid.

It is possible for an employer to supply these loans to some or all employees to help with expenses such as travel season tickets and it may be a useful if not a taxable benefit of employment.

Thinking ahead

From April 2015 there will be a starting rate of tax of 0% for those with savings income of up to £5,000. This means that the first £5,000 of savings income, which would normally be subject to income tax is tax free and any individual with income of £15,500 or less where £5,000 of this is made up of savings income will pay no tax. This savings income could be any bank or building society interest but not including the income from ISA or NISA accounts which is already tax free.

A claim has to be made to have the interest paid free of tax and we will be happy to calculate if you will be eligible to take advantage of this added tax free element and make the claim for you.

Top tip:

This tax free amount may be specifically relevant to older relatives who possibly have savings in addition to their state or occupational pension. If you would like to discuss the potential for a claim then please contact your client manager.

Inheritance tax allowances

When you die the assets which pass across to your surviving spouse or civil partner are exempt from inheritance tax. Assets passed to any other beneficiary are exempt up to a limit. Assets passed which exceed this limit are charged to Inheritance Tax (IHT). The IHT allowance for 2014/15 is £325,000 per individual but the percentage of the balance of your individual IHT allowance which has not been used up to cover bequests to others is also passed across to the surviving partner, making the maximum a couple can leave IHT free, £650,000.

The law allowing the transfer of the unused part of the IHT Allowance commenced in October 2007 and so if your partner passed away after that date then there may be some unused allowance which can be used against your estate.

The IHT remaining for use against the surviving partners estate is calculated by reference to the percentage of unused allowance at the time of the partners death and then adding this to the surviving partners allowance.

This is best shown by example:

Tommy died in February 2008 when the IHT threshold was £300,000. He made bequests of £120,000 which was 40% of his tax free allowance leaving 60% which could be passed on to his wife Gina. When Gina dies in 2014 the threshold is £325,000 which means Gina can leave bequests of £325,000 from her own allowance plus 60% of £325,000 as the balance of Tommy's IHT threshold or a further £195,000 making a total of £520,000 IHT free.

The key to ensuring the correct amount of allowance is passed across is keeping records and taking good advice. There are many gifts which can be made which do not count for IHT purposes and we will be happy to talk to you about all of these.

If you make gifts then keeping good records is essential, it makes it easier for the executors to ensure the correct amount of unused allowance is passed to the surviving partner and that the right amount of IHT is paid.

If you are uncertain how much allowance remained at the time of your partner's death we can obtain details and advise you on this.

Top tip:

A great idea would be to have a personal asset healthcheck undertaken on a regular basis. The IHT position is then calculated and any advice relating to minimising the amount of tax legally payable can be given. Just speak to a member of the team.

NISA arrival

On 1 July 2014 all individual savings accounts became New ISA's which means that your allowance for the 2014/15 tax year (6 April 2014 to 5 April 2015) has increased to £15,000. If you have already invested in an ISA this year between 6 April 2014 and 30 June 2014 you will be able to top up your investment in the period between 1 July 2014 and 5 April 2015 to take advantage of the new limits.

For regular monthly investors this means that you have been able to put in £990 per month for April, May and June and then since 1st July 2014 top up the monthly contribution to £1,336.

These NISA's give greater flexibility by allowing the annual allowance to be saved in cash, in stocks and shares, or in any combination of the two.

It is still only possible to pay into one Cash ISA and one Stocks and Shares ISA in each tax year, however, since 1 July 2014, it has been possible to transfer amounts you hold in a stocks and shares NISA to a cash NISA and vice versa. This applies to amounts paid in during previous tax years as well as from 6th April 2014.

It is essential that these transfers are arranged via the new provider and that the sums are not simply withdrawn from an ISA and deposited in a NISA. If you were to do that potentially, any amount paid in may count as a fresh payment against your annual limit.

If you already hold shares and wish to put these into your NISA it is not possible to do this directly. The shares must first be sold, the cash transferred into the NISA and then the shares repurchased. Your NISA provider will be able to organise this for you.