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Welcome...

To May's Tax Tips & News, our newsletter designed to bring you tax tips and news to keep you one step ahead of the taxman.

If you need further assistance just let us know or you can send us a question for our Question and Answer Section.

We are committed to ensuring none of our clients pay a penny more in tax than is necessary and they receive useful tax and business advice and support throughout the year.

Please contact us for advice in your own specific circumstances. **We're here to help!**

May 2016

New credit card payment fees take effect

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Clients may be interested to know that HMRC have introduced a new schedule of fees, which apply from 1 April 2016, and replace the former 1.5% fee. The new rates vary depending on the type of card used and whether the card is a personal or corporate card.

Broadly, the fees for paying using personal credit cards have been reduced and the rates for corporate credit cards have increased. The new rates can be found in the schedule to The Fees for Payment of Taxes, etc. By Credit Card Regulations 2016 (SI 2016/333).

For personal credit cards, the fees are as follows:

- VISA Personal Credit Card - 0.415%
- MasterCard Personal Credit Card - 0.386%
- MasterCard World Premium Credit Card - 0.374%
- MasterCard Signia Premium Credit Card - 0.606%
- MasterCard Elite Premium Credit Card - 0.606%

For corporate credit cards the fees are as follows:

- VISA Business Credit Card - 1.508%
- VISA Corporate Credit Card - 1.744%
- VISA Purchasing Credit Card - 1.755%
- MasterCard Business Credit Card - 1.973%
- MasterCard Corporate Credit Card - 2.248%

- MasterCard Purchasing Credit Card - 2.406%
- MasterCard Fleet Credit Card - 2.134%

According to the explanatory memorandum to the Regulations, the change is being made to ensure HMRC recover the costs for credit card use charged by the various card-providers. The rates for personal credit cards are capped to 0.3% of an element (called the 'interchange' element) by an EU regulation introduced in December 2015. This cap does not apply to corporate credit cards.

HMRC on house due diligence

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Further to the Budget 2016 announcement, HMRC have published a consultation document covering proposals to introduce a fulfilment house due diligence scheme whereby fulfilment houses in the UK will be required to register, maintain accurate records and be able to evidence the due diligence they have undertaken to ensure their overseas client is a bona fide supplier.

The scheme may directly affect all UK-based businesses that fulfil orders of imported goods. Some rules may also apply to businesses that import goods or those that transport imported goods to and from fulfilment houses.

The consultation will run until 30 June 2016. The intention is to introduce this measure in 2018.

New student loan plans take effect

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Repayment of student loans is a shared responsibility between the Student Loans Company (SLC) and HMRC. Employers have an obligation to deduct student loan repayments in certain circumstances and to account for such payments 'in like manner as income tax payable under the Taxes Acts' (Education (Student Loans) (Repayment) Regulations 2000, SI 2000/944, reg 14).

With effect from 2016/2017 there are two plan types for student loan repayments:

- plan 1 with a 2016/2017 threshold of £17,495 (£1,457 a month or £336 per week);
- plan 2 with a 2016/2017 threshold of £21,000 (£1,750 a month or £403 per week).

Plan 1 loans are pre-September 2012 Income Contingent Student Loans. **Loans taken out post-September 2012 in England and Wales have the higher threshold of £21,000.** Previously these have been repaid outside of the payroll directly to the SLC. From April 2016, they will be calculated and repaid via deduction from the payroll. So, from April 2106, employers and payroll software will have to cope with both types of plans.

Broadly, employers are responsible for:

- checking if a new employee needs to make student loan repayments;
- deducting student loan repayments and passing the payment to HMRC; and
- recording student loan repayments on employee payroll records, pay slips, Full Payment Submissions (FPS) and on a form P45 when an employee leaves.

Employers are not responsible for deciding that employees have to make student loan repayments or handling employees' student loan queries.

Student loan deductions are made from gross pay, alongside tax and NIC. Deductions are rounded down to the nearest pound. Deductions are non-cumulative, and so employers can ignore the question of amounts already deducted. HMRC provide tables, and the employer CD-ROM can be used to calculate the deduction which (because of rounding) may not be exactly 1/52 of the annual amount.

If an employee has two jobs, the employer does not need to be concerned with the employee's other income, but should calculate the deduction based only on amounts paid by him. However, if the employee has two employments with the same employer, these should be aggregated for student loan purposes if they are aggregated for NIC purposes.

Employers are required to collect student loan repayments through the PAYE system by making deductions of 9% from an employee's pay to the extent that earnings exceed the relevant threshold (see above).

Each pay day is looked at separately, and so repayments may vary according to how much the employee has been paid in that week or month. If income falls below the starting limit for that week/month, the employer should not make a deduction.

Example

James leaves university in June 2016, and starts a new job in August 2016 earning £2,000 a month (£24,000 a year).

His student loan repayments will commence in April 2017 and will be calculated as follows:

Income in April 2017: £2,000 – £1,750 (starting limit) = £250

£250 × 9% = £22.50 repaid in April 2017.

Companies to be liable for employees who facilitate tax cheating

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The Government has recently announced that it is to bring forward plans to introduce a criminal offence for corporations who fail to stop their staff facilitating tax evasion.

At the time of the March 2015 Budget, the Chancellor confirmed that the government would be delivering on its pledge to introduce the measure in this Parliament. Prime Minister David Cameron has now confirmed that the offence will be introduced in legislation brought forward this year.

The government has already confirmed plans to create a cross-agency taskforce to investigate all evidence of illegality that has emerged from the so-called 'Panama Papers'.

Further information on this announcement can be found here.

May Questions and Answers

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Q1. How do I work out my share of a capital gain?

I owned a quarter share in a property that was sold in 2015. It was not my main residence at any time during my period of ownership. I am trying to work out my share of the capital gain arising on the property. Do I simply divide the purchase price, sale price, and any improvement costs by four to work out how much tax I will have to pay?

A: Assuming that all the improvement costs and the sale proceeds relating to this property were 25% your responsibility, then yes, you just show the figures relating to your share of the gain on your tax return. However, it may be worth providing HMRC with clarification in the 'additional information' section of the return.

Q2. Are my savings covered by the personal savings allowance?

I have several savings accounts. Most of the accounts have always had tax deducted from the

interest paid before I receive it. However, I understand that one of my accounts is 'tax-free'. Interest has always been paid gross and I have never included it on my tax return. I am a basic rate taxpayer. Is the 'tax-free' account interest included in the personal savings allowance limit?

A:From 6 April 2016, banks and building societies will pay interest on all savings accounts gross. In parallel with this change, the new personal savings allowance (PSA), also introduced from 6 April 2016, means every basic-rate taxpayer can earn £1,000 interest without paying tax on it (higher rate taxpayers have a PSA of £500), currently equivalent to the interest on almost £75,000 in some easy-access savings account.

Interest that is already tax-free isn't included – so this includes ISA interest and Premium Bond 'winnings'. Interest from these will still be paid tax-free, but it just won't count toward your PSA limit. So, if you get £500 in ISA interest, and you're a basic-rate taxpayer, you'll still have £1,000 of PSA to cover other interest.

Q3. Will I be entitled to tax-free childcare?

I have heard that HMRC are launching a new tax-free childcare scheme. I am currently employed and earn £70,000 a year. My employer does not provide any support for childcare. Will I be eligible to join the new scheme?

A:HMRC have confirmed that a new tax-free childcare scheme will be launched from early 2017. To qualify, parents will have to be in work, and each earning around £115 a week and not more than £100,000 each per year.

Tax-Free Childcare does not rely on employers offering the scheme, unlike the current scheme ('employer-supported childcare'). Any working family will be able to use the new scheme, provided they meet the eligibility requirements.

Once launched, you will be able to open an online account, which you can pay into to cover the cost of childcare with a registered provider. This will be done through the government website, GOV.UK.

For every 80p you or someone else pays in, the government will top up an extra 20p. This is the equivalent to the current basic rate of income tax – hence the 'tax-free childcare' name given to the new scheme. The government will top up the account with 20% of childcare costs up to a total of £10,000 - the equivalent of up to £2,000 support per child per year (or £4,000 for disabled children). The scheme will be available for children up to the age of 12.

May Key Tax Dates

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2 - Last day for car change notifications in the quarter to 5 April **-** Use P46 Car

19/22 - PAYE/NIC, student loan and CIS deductions due for month to 5/5/2016

31 - Deadline for copies of P60 to be issued to employees for 2015/16

Need Help?

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New Clients Welcome

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Please contact us if we can help you with these or any other tax or accounts matters.

In addition, if there's anyone else who you think would benefit from the newsletter, please forward the email to them or ask them to contact us to be added to the newsletter list.

If you are not already a client and are interested in becoming one, we would love to come to meet with you to discuss how we can help and provide you with a competitive quote for our services.

All new client consultations are provided free of charge and without obligation.

About Us

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Smith Craven Accountants are based in Doncaster, Sheffield, Worksop and Chesterfield, offering local business owners and individuals a wide range of services.

Visit our website http://www.smithcraven.co.uk for more information.

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