

Personal Tax Newsletter

March 2014



Welcome to our 2014 Spring Newsletter.

This newsletter outlines some of the recent changes in personal tax. In addition, it contains some simple tax planning ideas which you may wish to consider.

If you would like further information regarding any of the points below, or if you have a query regarding your tax affairs, please speak to your usual Beavis Morgan contact, or one of our tax partners.

NEWS IN BRIEF...

- Copies of PAYE coding notices are no longer being sent to agents, therefore, please ensure that you forward any notices that you receive to us for review
- Don't forget that you may be liable to the High Income Child Benefit charge if you, or your partner, have an individual income of more than £50,000 and one of you gets Child Benefit. It may also apply if someone else receives Child Benefit for a child who lives with you. Please speak to your usual Beavis Morgan contact for further advice.

BUSINESS NEWS...

- The deadline for P11D submission is 6 July 2014. Letters will be sent out in April to existing clients.

If your business has a P11D requirement, please speak to Rory Fairbairn or Jim Andrews on 0207 417 0417 for details about how Beavis Morgan can help.
- The generous annual investment allowance, allowing most businesses to claim a full deduction for up to £250,000 of qualifying capital expenditure has been increased to £500,000 for the period; 6 April 2014 to 31 December 2015.



Pension Relief:

Fixed & Lifetime Protection 2014

From 6 April 2014 the lifetime pension allowance will be further reduced from £1.5 million to £1.25 million.

If you expect that your pension fund will exceed £1.25 million, we would recommend that you consider electing for 'fixed protection'. Fixed protection will allow future crystallisation of benefits worth up to £1.5 million without incurring the 55% tax charge on the excess.

The election must be made by 5 April 2014, however, please be aware that by making an election you would be prevented from adding any further contributions to your pension.

Alternatively, later this year, 'individual protection' will be introduced. This is aimed at individuals with pension valued at over £1.25 million and will give a protected lifetime allowance equal to the value of your pension rights as at 5 April 2014, up to a maximum of £1.5 million. Further contributions can be made into your pension after this date. However, benefits from such pension savings may be subject to a tax charge of 55%.

Annual Allowance

From 6 April 2014 the annual allowance will be reduced to £40,000. If the total gross contributions into your pensions in a tax year, taking into account both personal and any employer contributions, exceed the allowance, you may have to pay a tax charge on the excess to restrict the relief obtained. This will, however, depend on the availability of unused brought forward allowances from previous years.

If you believe you may be affected by the reduced lifetime allowance, or are unsure of your annual allowance and wish to make a significant contribution to your pension fund please speak to your usual Beavis Morgan contact, or Independent Financial Advisor.

Please note that we have a joint venture with an Independent Financial Advisor – Jelf, an AIM listed company to provide advice through Beavis Morgan Financial Services (BMFS). Jelf would be happy to review your situation and provide further assistance, if required.

2014/15 Tax Rates:

- Personal allowance increased to £10,000
- Basic rate band decreased to £31,865, taxed at a rate of 20% on income
- Individuals earning over £120,000 or above have no entitlement to personal allowances
- Additional rate of tax on income over £150,000 of 45% for non-dividend income and 37.5% for dividend income
- Capital gains tax rate of 18% for basic rate taxpayers and 28% for higher and additional rate taxpayers

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Partnerships:

There are two main changes that are due to take place in regard to partnerships from April 2014; the treatment of salaried members in a Limited Liability Partnership (LLP), and a change in the tax treatment of partnerships with mixed membership.

For LLPs legislation will be introduced to change the treatment of a salaried member of an LLP from that of a partner to that of an employee, for both tax and national insurance purposes. This will occur where an individual meets a number of conditions which HM Revenue & Customs believes identifies them as performing a role equivalent to that of an employee.

If you would like to receive a copy of our partnership newsletter which contains more details regarding the forthcoming changes please let us know.

SIMPLE TAX PLANNING

Income Tax:

- Maximise personal allowances between married couples and civil partners where one individual has high taxable income levels and is suffering tax at the 45% tax rate, if the other has no income or low income can now result in a substantial tax saving.
- Where an individual has taxable income between £100,000 and £120,000 up to £20,000 is effectively being taxed at 60%. Substantial savings can be made by transferring income sources to reduce the taxable amount to below £100,000. Gift aid and/or personal pension contributions are allowable deductions which will also help to preserve the personal allowance.

Capital Gains Tax:

- Differing rates of capital gains tax depending on your taxable income make it important to utilise not only your personal annual exemption of £10,900 for 2013/14 (which cannot be carried forward if unused) but also look at which spouse should make the disposals. An individual who is a higher or additional rate taxpayer will pay capital gains tax at 28% whereas a basic rate taxpayer will suffer tax at only 18%. As transfers between spouses and civil partners that are living together are on a "no gain/no loss" basis as long as the transfer is outright and unconditional.

Inheritance Tax:

The inheritance tax nil rate band has been frozen at £325,000 until 5 April 2018 and many people will find themselves with estates that would put them subject to this tax. The use of simple allowances can successfully transfer wealth out of your estate without any complex planning solutions.

- Each individual has an annual allowance available of £3,000 to make gifts exempt of inheritance tax. This allowance can be carried forward one year if unused but the amount carried forward cannot be used until the current years allowance is utilised.
- A gift or gifts totaling up to £250 to any one individual in a tax year are exempt.
- Individuals who have income over their normal living requirements are able to make regular gifts out of income without inheritance tax implications. Advice should be sought if this exemption is to be utilised to ensure that the necessary conditions are satisfied to receive the exemption.
- Gifts on marriage can be made inheritance tax free at varying levels depending on the relationship between the donor and the recipient i.e. parent to child £5,000.

There are other inheritance tax planning options which can be implemented to reduce the value of an estate. Please contact your usual Beavis Morgan contact who would be happy to discuss your options should this be of interest to you.

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