

With the 2016 Budget scheduled for 16 March and the tax year end drawing nearer, we have put together below our "Top Tax Tips" for you and your business to consider.

Personal Savings Allowance

The new tax-free Personal Savings Allowance (PSA) for individuals will come into effect from 6 April 2016. This will apply a 0% rate for up to £1,000 of savings income (restricted to £500 for higher rate tax payers and nil for additional rate tax payers)

Alongside the introduction of the allowance, Banks, Building Societies and National Savings and Investment will cease to deduct tax from the interest they pay to customers. This will result in some individuals no longer needing to reclaim the tax deducted on their savings. However, higher tax payments, through Self Assessment, will be required for individuals with larger amounts of savings interest. If you would like to know how this is likely to affect you then please let us know.

Dividend tax increase

From 6 April 2016 there will be a new dividend allowance and the rates of income tax charged on dividend income will also change. If you do not currently extract all your company's profits it may be worth taking dividends that you would have taken in the 2016/17 tax year before 6 April 2016 to avoid the new changes. However, please speak to your Beavis Morgan contact before taking any action so that consideration can be given to all the other issues involved. After 6 April the hitherto reward strategy of dividends rather than salary may no longer be the most tax efficient way of extracting profits. It may now be more beneficial to take more income as salary or even consider disincorporation. However, with the reporting requirements of Real Time Information for PAYE this is something that must be dealt with correctly at the time of payment. We suggest that clients contact us for a remuneration review to ensure the correct decisions are made on a personalised basis.

Pensions

The standard lifetime pension allowance will be reduced to £1 million for tax years 2016/17 onwards. There will be two further transitional protection regimes for individuals with UK tax relieved pension rights of more than £1 million or who think they may have rights in excess of £1 million by the time they take their pension benefits.

There has been much speculation that the Budget on 16 March will bring in changes regarding the pension regime. At present individuals have an annual allowance available of up to £40,000 with the Government set to introduce a taper to the annual allowance for those who have adjusted income over £150,000 from 6 April 2016. For every £2 over £150,000, an individual's annual allowance will be reduced by £1, until an allowance of £10,000 is reached. Therefore, if you are a high earner and make regular pension contributions (including those made by your employer) then it is important that your situation is reviewed before 16 March.

Stamp Duty increase on second homes

The new 3% Stamp Duty Land Tax Supplement comes into effect on sales completed on and after 1 April 2016 (unless contracts were exchanged before 25 November 2015) for residential properties valued at £40,000 or more. The basic rule for the supplement is that if the buyer owns (or partly owns) two or more residential properties at the end of the day in which the transaction is completed the supplement applies.

This will be a significant increase in the cost of purchasing additional properties and will affect parents who want to help their children in purchasing a home but want to take an interest in the property instead of just gifting the funds to them. Please contact us to discuss the implications if you are thinking of purchasing any additional properties that are likely to complete after 1 April 2016.

We hope that you find this short summary helpful and look forward to hearing from you about the above or anything else you are considering before 5 April.