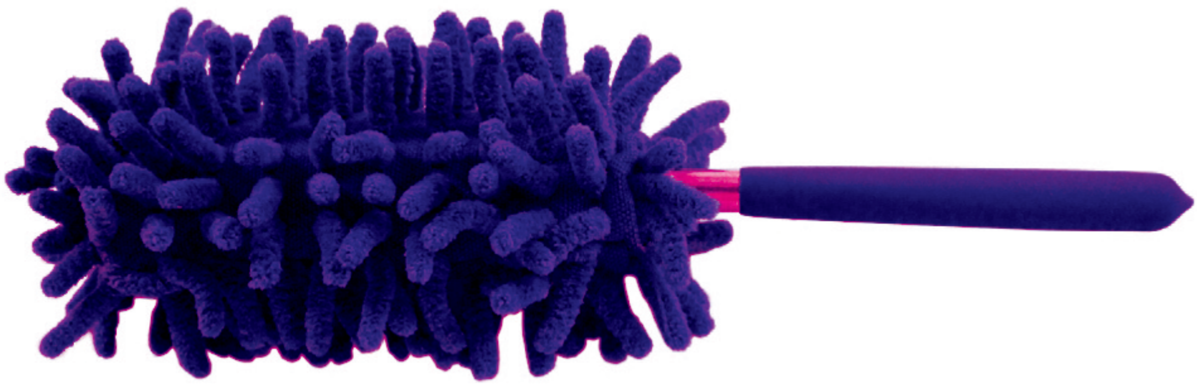
"SPRING CLEAN YOUR TAX AND FINANCES"



Calvin Healy from Richardson Swift provides a summary of the current topical tax planning areas requiring attention in the next few months.

Owner managed incorporated businesses

Major changes to the taxation of dividend income are set to be introduced from 6th April 2016. The changes are primarily directed at the owners of small companies and have been designed to bring the tax cost of operating as a limited company more into line with the charge on a similar business run as a sole trader.

The outline of changes are as follows:

- Abolition of the tax credit.
- A dividend tax "free" allowance of £5,000.
- Dividends in excess of the allowance taxed at flat rates of 7.5% in the basic rate band, 32.5% in the higher rate band and 38.1% in the additional rate band.

If you are affected by the changes it is essential that you obtain appropriate tax planning advice in order to ascertain the cost benefit of dividend extraction between now and 5th April.

As we have experienced over the last few months there is no "one size fits all" recommendation as there are many different factors which need to be considered. For instance, the abolition of the tax credit means that the amount of taxable dividend income will be comparatively less going forward and will reduce the impact of abatement of personal allowances.

Buy-to-let investors

If you let a property with sufficient furnishings that the tenant can move in with just a suitcase, this is the last tax year for which you can claim an allowance to cover the wear and tear on furniture and other contents. The allowance is calculated as 10% of the net rents.

From 6th April 2016, landlords will only be able to claim for the actual amounts they spend on replacing furnishings during a year. Therefore, deferring replacement of furnishings until after 6th April is likely to be beneficial.

Changes are also being introduced to restrict tax relief on loan interest. Currently, full tax relief is available for interest on a loan used in a buy-to-let rental venture. The funds may have been used to purchase the property, to make repairs or improvements, or just fund working capital.

From 6th April 2017, tax relief on interest will be restricted so that by 2020 interest will no longer be an allowable expense but instead will attract relief at 20% as a reduction to your tax bill.

This change will have a major impact on owners of let property. Therefore advice will be required to assess the tax impact in order for tax planning opportunities to be explored.

Pensions

Tax relief on pension contributions will be restricted for 45% taxpayers from 6th April 2016. However, transitional rules have been introduced for the current tax year which give a wider group of taxpayers the opportunity to make extra pension contributions and claim full tax relief.

The rules are complex but in essence everyone will have two pension input periods for the current tax year, one ending on 8th July 2015, and the other ending on 5th April 2016. A total annual allowance of up to £80,000 is available for the year (i.e. potentially twice the standard contribution limit). The £80,000 limit is first used against contributions made during the period ending to 8th July. Any unused balance, up to a maximum of £40,000 is carried forward to use in the period 9th July to 5th April.

For personal contributions, basic rate tax relief is given at source and higher or additional rate taxpayers must claim additional relief through their tax returns.

For further information and guidance please contact either Calvin Healy or Jon Miles

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