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# Tax E – News

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*Welcome to our Budget 2016 tax newsletter, designed to keep you informed of the measures taken effect from 6 April 2015. We hope you enjoy reading this; and remember - we are here to help you so please contact us if you need any further information on any of the topics covered.*

## **SINGLE DIRECTOR COMPANIES EXCLUDED FROM £3,000 NIC EMPLOYMENT ALLOWANCE**

From 6 April 2016 the Employment Allowance increases from £2,000 to £3,000, but if you're the only employee in a company, and also the director, your company will no longer be eligible for the NICs Employment Allowance. HMRC is currently consulting on the draft legislation for this change which will mean that the £3,000 allowance will not be available to offset against the employers' NIC liability of such companies.

## **CONSULTATION ON 3% SDLT SUPPLEMENT ON SECOND HOMES FROM APRIL 2016**

HMRC are consulting on the details of the higher rates of stamp duty land tax (SDLT) on purchases of additional residential properties announced in the 2015 Autumn Statement. The Government will include detailed rules in the Budget on 16 March 2016. The higher rates will not apply if at the end of the day of the transaction an individual owns only one residential property, irrespective of the intended use of the property.

In line with the CGT rules there will be an 18 month period between sale of a previous main residence and purchase of a new main residence for the purpose of determining whether the higher rates apply.

## **CONTRACTING OUT OF ADDITIONAL STATE PENSION ENDS 5 APRIL 2016**

From 6 April 2016 employees of contracted-out defined benefit (DB) schemes will automatically be brought back into the State Pension scheme and will no longer be able to use a contracted-out salary related (COSR) occupational pension scheme to contract out of the State Scheme. Employees will, depending on their level of earnings, start to accrue entitlement to the new State Pension instead.



Eligibility for the contracted-out National Insurance contributions (NICs) rebate of 3.4% for employers and 1.4% for employees will also cease from this date.

This will bring with it some changes in what and how you report to HMRC:

From 6 April 2016: You will not be able to use your Contracted-out Salary Related (COSR) occupational pension scheme to contract employees out of the new State Pension scheme.

There will no longer be a requirement to report the Employers Contracting-out Number (ECON) and Scheme Contracted-out Number (SCON) details on Full Payment Submission (FPS) for tax years commencing 6 April 2016 and onwards.

There will no longer be a requirement to separate the National Insurance (NI) earnings between the Primary Threshold (PT) and Upper Accrual Point (UAP) & UAP to Upper Earnings Limit (UEL)

There will be a requirement to report NI earnings between the PT to UEL as there was prior to 2009.

There will be one less column to complete on forms P11 and P60. These forms will be updated in due course and available on the Basic PAYE Tools or can be ordered from the Employer order-line. All HMRC systems will be amended to reflect these changes and the UAP data field will be removed from the FPS and Earlier Year Update (EYU).

All payroll software will need to be amended.

National Insurance Categories from 6 April 2016  
 Contracted-out National Insurance tables/ categories D, E, I, K, L, N, O and V will be replaced by Standard National Insurance tables/categories A, B, J, M, P, Q, R, T, Y and Z

### DOES YOUR COMPANY OPERATE IN AN ENTERPRISE ZONE?

If your company is located in one of the 30 or so enterprise zones, there are significant Government incentives to encourage investment. HMRC have added maps to their online guidance, showing sites within enterprise zones that offer 100% first-year allowances for companies investing in new plant or machinery until 31 March 2020. This 100% allowance is in addition to the normal £200,000 Annual Investment Allowance.

New maps for Tees Valley, Wirral, Black Country, Wilton, and Southbank enterprise zones have been added to the Gov.uk website.

### TAX CHARGE ON ANNUITY SALES TO BE REDUCED FROM APRIL 2017



The Government has confirmed that from 6 April 2017, tax restrictions for people looking to sell annuities will be removed, giving those with existing annuity, and anyone who purchases an annuity in the future, the freedom to sell their right to future income streams for an upfront cash sum.

Currently, people wishing to sell their annuity income face a 55% tax charge, or up to 70% in some cases. This charge is to be removed, so that people will only be taxed at their marginal rate.

Under the new changes, retirees will be able to take the annuity as a lump sum, or access the new flexible drawdown products introduced in April 2015.

The Government is working with the Financial Conduct Authority (FCA) to develop appropriate steps to regulate the market. The FCA will consult in 2016 on proposed rules for the secondary annuities market.

### RTI CONCESSIONS FOR SMALL EMPLOYERS TO END FROM 6 APRIL 2016

The Government announced at Autumn Statement 2015 that the current two year temporary reporting relaxation will end as planned on 5 April 2016. The relaxation permitted employers who at 5 April 2014 employed no more than 9 employees, to report their PAYE information for the tax month 'on or before' the last payday in the tax month instead of 'on or before' each payday. This will align the reporting obligations for micro employers with all other employers who are currently required to report payments 'on or before' each payday. As a consequence 'Late reporting reason code E' will not be valid from 6 April 2016.

### END OF YEAR PAYE RETURN REMINDER

Under RTI the end of year form P35 was replaced by the Final Full Payment (FPS) submission. Send your final FPS on or before your employees' last payday of the tax year (5 April) instead of the old 19 April deadline. Remember to put 'Yes' in the 'Final submission for year' field in your payroll software

Date	What's Due
1 February	Corporation tax for year to 30/4/15
19 February	PAYE & NIC deductions, and CIS return and tax, for month to 5/2/16 (due 22 February if you pay electronically)
28 February	Surcharge of 5% on 2014/15 self-assessment tax still unpaid.
1 March	Corporation tax for year to 31/5/15
19 March	PAYE & NIC deductions, and CIS return and tax, for month to 5/3/16 (due 22 March if you pay electronically)