



Compass Accountants

Newsletter - October/November 2015

Helping you to shape your future... not just accounting for your past...

TaxAngles - For proactive tax planning

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Salary v dividends conundrum

In the last two editions of this newsletter we have outlined the impact of the changes to the taxation of dividends that will commence 6 April 2016.

This month we want to continue to look at this major change as it affects the shareholder directors of private limited companies.

For 2015-16 any dividends drawn by shareholders that form part of their income taxed at the basic rate, will attract no personal tax on amounts taken. If the dividends form part of their income taxed at 40% or 45%, then the additional personal tax due is calculated as 32.5% or 37.5% respectively - of the gross dividend received - less the present 10% tax credit.

As previously discussed, from 6 April 2016, the way dividends are being taxed will change. The 10% tax credit is being abolished and each individual will have available a flat rate dividend allowance of £5,000. Any dividends received by an individual in excess of £5,000 will be taxed as follows:

- 7.5% if your dividend income is within the basic rate (20%) band
- 32.5% if your dividend income is within the higher rate (40%) band, and
- 38.1% if your dividend income is within the additional rate (45%) band

A director shareholder who presently receives a £27,000 net dividend as part of their remuneration package, and all of this income falls to be part of their basic rate band, then no additional tax is payable. With no change in strategy, for 2016-17 the same dividend will create an extra personal tax liability of £1,650.

This amount will usually form part of the director's Self Assessment underpayment for 2016-17 and be due for payment on 31 January 2018. On the same date the director will be required to make a payment on account for 2017-18; accordingly, the extra tax of £1,650 converts into tax payable of £2,475 on 31 January 2018 (£1,650 plus 50% of this amount as payment on account for 2017-18), with a further 50% or £825 payable as a second payment on account 31 July 2018.

Should you compensate for this tax increase by increasing your salary? The answer would generally be no, as that would mean 12% employees' NICs and 13.8% employers' NICs. It may be possible to offset any additional employers' NICs due by claiming the £2,000 Employment Allowance (£3,000 from April 2016, but beware new restrictions from this date for "one-person" companies).

Unfortunately, in most, if not all cases, where dividend income is a significant part of your remuneration package, this change in legislation is likely to mean that you will pay more personal tax from April next year.

Interestingly, a higher rate tax payer receiving the same £27,000 cash dividend will only be £400 worse off.

It should also be noted that the £5,000 allowance is not an exemption but a nil rate tax band. The full dividends still count as income e.g. for calculating the effect on personal tax allowances.

There are limited planning options, including changing the scale of dividends taken before 6 April 2016. Business owners need to plan for these tax increases and we recommend that you seek professional advice as soon as possible.

Quote of the month...



"What lies behind us and what lies before us are tiny matters compared to what lies within us" - Ralph Waldo Emerson - Philosopher and Essayist

Personal Savings Allowance

From April 2016, you won't have to pay tax on interest received up to £1,000 (if you are a basic rate taxpayer), or £500 if you pay tax at the higher rate.

Therefore, to be eligible for this new allowance in 2016-17:

- Your taxable income needs to be less than £42,700 a year to qualify for the £1,000 PSA, or,
- Your income needs to be between £42,701 and £150,000 to qualify for the £500 PSA.

To facilitate this change, from April 2016 banks and building societies will stop automatically taking the 20% Income Tax from the interest earned on your non-ISA savings accounts.

Readers who receive substantial interest on their non-ISA savings should take this latter fact into account. For 2016-17 their investment income could create an increase in underpayments in their tax position as they will receive their interest gross, no tax deducted. For example, there will be those who haven't had to pay tax to HMRC because all their income was taxed at source. This group may be required to pay their tax separately in future.

This could particularly affect certain pensioners and the like benefiting from the £5000 nil "savings rate" of tax applying for 2015-16 only.



Advisory fuel rates from 1 September 2015

Changes to these rates from 1 September 2015 are:

- Petrol: engine size 1400cc or less – 11p per mile
- Petrol: engine size 1401cc to 2000cc – 14p per mile
- Petrol: engine size over 2000cc – 21p per mile
- LPG: engine size 1400cc or less – 7p per mile
- LPG: engine size 1401cc to 2000cc – 9p per mile
- LPG: engine size over 2000cc – 14p per mile
- Diesel: engine size 1600cc or less – 9p per mile
- Diesel: engine size 1601cc to 2000cc – 11p per mile
- Diesel: engine size over 2000cc – 13p per mile

These rates can be used to calculate the recovery of VAT input tax on the cost to a business of mileage payments made to employees, or to calculate the amount an employee needs to reimburse an employer for the private fuel used by a company car.



Emerging markets in the EU?

If you are considering, or already are, selling your products and services in the EU, you may want to read the following recent announcement published on the UK Government website.

"Emerging Europe offers opportunities for all UK companies ranging from novice to experienced exporters, and across multiple sectors.

Emerging Europe is made up of 11 markets and over 120 million consumers located in Central and Eastern Europe (CEE). This region offers:

- increasingly affluent consumers
- economic growth at double the rate of western Europe
- widespread use of the English language
- low risk compared with other Emerging Markets further from the UK
- easy accessibility from the UK – just 2 to 3 hours flying time on low cost airlines

UK exports are worth over £16 billion, with goods exports doubling over the past decade, and services exports - over £4 billion - trebling.

What is Emerging Europe?

Markets of Emerging Europe are at differing stages of development, but all offer long-term growth prospects for UK companies. The markets are:

- Austria
- Bosnia and Herzegovina
- Bulgaria

Emerging markets in the EU? (Continued)

- Croatia
- Czech Republic
- Hungary
- Poland
- Romania
- Serbia
- Slovakia
- Slovenia

Benefits of doing business in Emerging Europe

The markets offer UK companies a number of advantages including:

- ease of developing business relationships as located close to UK with access via large number of budget airlines
- ideal for Small and Medium Enterprises (SMEs) on tight budgets
- supply chain opportunities in support of strategically important industries
- opportunities resulting from £170 billion European Union (EU) Structural and Cohesion funds for 2014 to 2020
- UK's positive image as a reliable business partner and increasingly as a source of innovative products and services and new technology

Opportunities

There are opportunities across a range of sectors. These include:

- advanced manufacturing
- defence and security
- energy
- healthcare and life sciences
- infrastructure
- services (financial and professional services, e-commerce and traditional retail)"

Please visit our Wealth Generation Zone on our website under our Money For Nothing initiative with links to the European Information Centre. www.compassaccountants.co.uk or contact Jeff Walton on 01329 844145.



Client Focus - QCA Quality Covers All Limited

As specialists, there are virtually no limits to the service QCA (Quality Covers All Ltd) offers. Located in Titchfield, the company works on domestic, commercial, automotive, marine and event marquee based projects, providing both businesses and the general public with the widest variety of upholstery and covering services.

QCA's upholstery work ranges from sofas, chairs, seat cushions, dining chairs, headboard and campervan interiors, right up to grand scale projects such as re-upholstering for luxury cruise liners, recently recovering four hundred chaise-longues. The organisation's strap line- '*We've got it covered*' sums them up, with a large portion of their customers in environments such as pubs, hotels, restaurants, clubs, leisure centres, nursing homes, waiting rooms, treatment rooms, ships, bars, boats, and commercial marquees.

Gareth Bungay, the Operations and Sales Director, summarises the organisation's broad offering by explaining: "There really isn't an area we don't cover! Which is what makes this business so exciting."

Relationships built with reputable suppliers, means that QCA have access to the latest fabrics and materials using advanced technologies, such as MRSA protection, UV protection and breathable waterproofing at competitive prices. QCA's specialist knowledge allows them to solve the majority of unusual problems, recently having to manufacture a bespoke waterproof cover for a D-Type Jaguar being transported to races.

QCA marquee and graphic lining service has seen significant growth and now provided services for many major national and international events, such as Twickenham Rugby - supplying graphics, linings and logos.

Client Focus - QCA Quality Covers All Limited (Continued)

"We recently entered our fourth year in business, and since launching have seen significant year on year growth. Starting as a partnership we decided when we moved to our new larger premises, to become a limited company, offering our customers better business security and allowing us to forge secure relationships with our suppliers. We appointed Compass to facilitate the transition into becoming a limited company. Ever since then Compass have looked after all of our accounting needs including payroll and VAT. They are very professional and it's always great to know that everything is in good hands. They've always been really helpful and always steer us in the right direction."

To contact Gareth Bungay of QCA, email him on info@qualitycoversall.co.uk or call 01329608160

www.qualitycoversall.co.uk



Staff Focus - Natalie celebrates 10 years with Compass!

Natalie Farley celebrated her tenth year with Compass last month, having worked with us as a Secretary since 2005. Natalie is pictured receiving the company 'Compass' to honour her time with the organisation.

Natalie explains, "I've thoroughly enjoyed the last ten years with Compass and feel very lucky to work for a company with so many great people!". Thanks Natalie, it's been a great pleasure for us too. Your hard work and dedication over the last ten years has been much appreciated!



....And here's someone you should meet!

When Compass invited me to write an article for their newsletter, they asked me to describe who I was and what I do, whilst also making health and safety sound exciting. Well the first bit is easy, I love talking about myself. But Occupational Safety and Health (OSH)? Come on Compass, everyone knows this will be a hard sell!

After my rather lazy school days, I progressed to pushing out hire boats on the Thames. That was followed by my first encounter with customer service, but even the John Lewis Partnership failed to engage this youth, so- off to sea I went. Well, in truth much of my Royal Navy 'sea time' was actually on dry land at various bases in and around Portsmouth. As well as being wedded to HM Forces I also found a much more attractive match with my wife Carol and we lived very happily next to the fire station in Titchfield for many years.

In the early 90's I moved into the 'new profession' of occupational safety. So new that 'we' (UKPLC) had been doing it for nearly 200 years without really noticing it. Apparently the EU kept loading us with *new this* or *new that* – no wonder industry complained. But if there is one thing I have learned is that almost all of the 'new requirements' were not new and their heritage could be traced to the UK. Teaching this subject at Highbury College in Cosham gave me a real insight into most types of business and the reality of what health and safety is all about – people and successful business. It also taught me that OSH is a huge subject area, covering every conceivable workplace from childminding to grave digging and a lot in between.

Having completed my 'bow tie' wearing life stage as a lecturer, I moved to work as the *Facilities, Safety and Health, Security and Business Continuity Manager* at Chichester District Council. You can tell by my extended job title that government cuts are nothing new. This role gave hands on safety when we introduced wheelie bins – talk about 'resistance to change'! I always find it fascinating to watch public opinion swing over policy matters. Quite good training when I now talk to businesses about the 'scourge' of OSH on industry, when all it really is and represents is the protection of people, property and the planet – now neatly termed as 'sustainable business'.

Highlights of my job quite often had a touch of Gerry and Silvia Anderson or at least some Barry Grey theme music in my ears; City and coastal Flooding, Pestilence through foot and mouth and BSE, civil disaster with rail crash and chemical explosions, terrorism with 911 and London bombings, and of course fire when one of our refuse lorries transformed itself into a mobile incinerator whilst on route. Asking for the correct paperwork from the Queens flight bolstered my ego and gave me a bureaucratic sense of importance: The gatekeeper between my ultimate boss (HRH) and the sacred turf of a city centre park/temporary helicopter pad. However my boss reminded me that safety was part of the business – not all of it. An important message that I still remember.

I became the face of health and safety in 2010, as the President of the Institution of Occupational Safe and Health. In this capacity I travelled the world and spoke to industry and worker representatives and government officials. And guess what? They all wanted to be like us. From the North Pole to the Far West and the Far East to the Deep South, they wanted to copy our law and mirror our processes. They wanted to train to our standards and have enviably low casualty rates like the UK.

(So someone please help me to understand why there is such a myth about health and safety in my own country...?)

Real health and safety belongs in all sectors and all workplaces. It saves lives and reduces suffering. It isn't about forms or documents, it isn't about refusing to work, it isn't about spending hard earned cash. It is about looking at what we do to make sure we get it right (funny, isn't that an old phrase borrowed by quality management too?)

The purpose of my job is to make sure people go home at the end of the day so they can come back tomorrow.

When I talk to business owners I do so from experience. My wife and I own a small organic retail outlet in Midhurst, West Sussex. We know the most important part of our company is our people; without them we don't exist; without their co-operation we don't have a business; without their involvement and enjoyment of their work we don't have a future.

My work-life balance is just that; if I didn't enjoy my work I wouldn't do it. I give a lot back to my profession but it is great to know that in some small way my career might make a difference. If I can convince my clients that safety actually pays and is profitable to business then they might pass it on. It is a small world and everyone is part of a supply chain. All businesses have the opportunity to make safety important in both word and deed. Important to employees, managers, directors, owners and shareholders. But also to clients and contractors, to the public and beyond. Safety is a silent export from the UK – we just forgot to tell people how good we are at it.

I now run my own consultancy providing guidance and training to managers and employees of small and medium sized businesses. I enjoy the real challenges of making sure safety fits snugly into business processes and enhances operations. Getting it right means people see the benefit, getting it wrong means adding an unnecessary burden to companies.

On my days off I act as a wildlife officer and volunteer for a number of local organisations who focus on the natural environment. I love this part of the world and really enjoy my kayak trips around the southern coast and rivers.

Thank you Compass for allowing me to say hello, I'd be really happy to answer any questions your readers may have on health and safety if I can – send them to Compass and I'll be in touch.

Steve Granger, Chartered Fellow of the Institution of Occupational Safety and Health.

The Granger Partnership Ltd
www.thegrangerpartnership.com



Tax Diary October/November 2015



- 1 October 2015** - Due date for Corporation Tax due for the year ended 31 December 2014.
- 19 October 2015** - PAYE and NIC deductions due for month ended 5 October 2015. (If you pay your tax electronically the due date is 22 October 2015.)
- 19 October 2015** - Filing deadline for the CIS300 monthly return for the month ended 5 October 2015.
- 19 October 2015** - CIS tax deducted for the month ended 5 October 2015 is payable by today.
- 31 October 2015** - Latest date you can file a paper version of your 2015 Self Assessment tax return.
- 1 November 2015** - Due date for Corporation Tax due for the year ended 31 January 2015.
- 19 November 2015** - PAYE and NIC deductions due for month ended 5 November 2015. (If you pay your tax electronically the due date is 22 November 2015.)
- 19 November 2015** - Filing deadline for the CIS300 monthly return for the month ended 5 November 2015.
- 19 November 2015** - CIS tax deducted for the month ended 5 November 2015 is payable by today.

Contact us

For further information on any of the stories in this month's newsletter, or for any other matter that Compass Accountants can assist you with, please contact Jeff Walton on 01329 844145.



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