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THE RIGHT ADVICE FOR YOUR BUSINESS

# Newsletter

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## Pensions are brilliant for tax saving!

There were plans to change Pensions and make them like ISA's where the tax relief comes at the end not the beginning but fortunately George Osborne changed his mind. Let's hope he leaves pensions alone! Here are some of the benefits:

1. Pensions – Up to £40k can be paid in to a pension scheme by your employer and you can use carry forward to pay in even more
2. IHT - Generally the pension pot is held in a discretionary trust, which means it isn't taxed on death.
3. Property - Your pension can own Commercial Property, including your own business premises or shops, offices and industrial units
4. In Specie Transfers - Currently means that you can claim tax relief of between 20% and 45%.
5. Once the assets are in a pension scheme transfers 'in specie' between schemes are **tax free** (no capital gains) and no SDLT.
6. When you retire you get 25% of your pension fund tax free.
7. SSAS Pensions can lend money to their scheme employer and the scheme employer can borrow from a SSAS subject to passing [5 tests](#).



# Can a Buy to Let Investor claim Incorporation Tax Relief



There are many reasons why residential property investors are now rushing to incorporate, the biggest reason being the Restriction of Mortgage Interest Tax Relief.

The Finance Bill set out plans to restrict individuals on claiming mortgage interest as a cost against their property investment income, for individuals the restrictions are phased in from April 2017.

For a 20% tax payer that's fine but for a higher rate taxpayer it's a disaster that will lead to them paying a lot more tax.

***These rules will not apply to Companies, Companies will continue to claim full relief.***

When you sell or give a residential property to your Company you will incur Capital Gains Tax if you make a gain, it's for this reason many investors and their advisers believe that they are 'automatically' entitled to claim [Incorporation Tax Relief](#), but in many cases Incorporation Tax Relief will **NOT be available!**

*In summary Incorporation Tax Relief allows Sole Traders to postpone/hold over a gain by transferring all their business assets into a limited company in return for Shares.*

The key problem area is that Property Investment is generally not considered to be a Trade.

Some of the issues were resolved in [EM Ramsay v HMRC \[2013\] UKUT 0226 \(TCC\)](#)

Mrs Ramsey carried out the following activities

1. Mr & Mrs Ramsey personally met potential tenants
2. Mrs Ramsey check the quarterly electric bills
3. Mrs Ramsey arranged insurance
4. Mrs Ramsey arranged and attended to maintenance issues (drains)
5. Mrs Ramsey and her son maintained the garages and cleared rubbish
6. Mrs Ramsey dealt with post
7. Mrs Ramsey dealt with fire regulation issues
8. Mrs Ramsey arranged for a fence to be erected
9. Mrs Ramsey created a flower bed
10. Shrubs were pruned and leaves swept
11. The parking area was cleared of weeds
12. The flag stones were bleached
13. Communal areas were vacuumed
14. Security checks were carried out
15. She took rubbish to tip
16. She cleaned vacant flats
17. She helped elderly tenants with utilities

This work equated to at least 20 hours per week and Mrs Ramsey had no other employment.

It is because she did the work herself that her property investment was considered a 'Business' and eligible for **Incorporation Tax Relief**.

# Are you ready for Auto Enrolment?

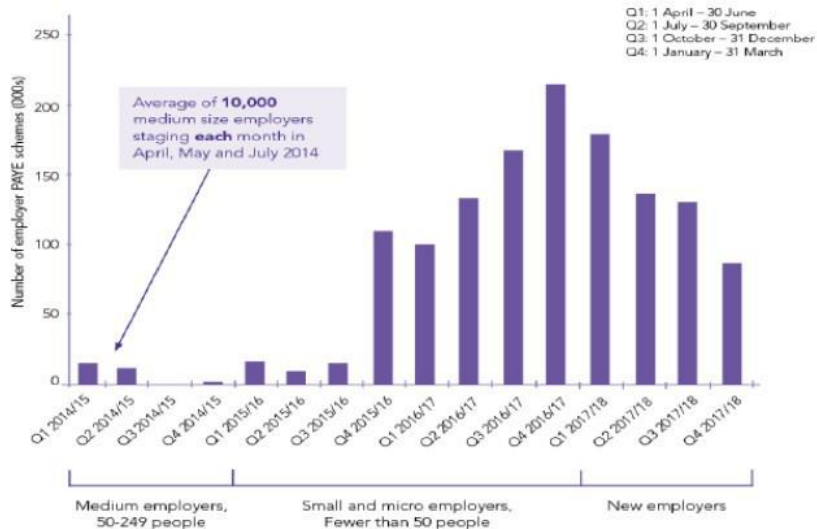


The tidal wave of small businesses going through Auto Enrolment has now started with the peak being in 2016/17.

So what do you need to do before you stage?

1. Find out your staging date, this is the date when your obligation under Auto Enrolment will start, the Pension Regulator [calculator](#) is a good place to start
2. Nominate a person to be the Pension Regulators key contact and register their name with the Regulator
3. Draw up a Project Plan and consider whether you need help (60% of companies currently staging have decided they do need help! and most businesses will start by asking their accountant to help with project management)
4. Choose a Pension Provider – Nest, Now Pensions and The Peoples Pension are the 3 largest
5. Make sure your Payroll can provide the analysis

## Staging profile (volumes of employers)



The Pensions Regulator

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### NOT SURE WHAT TO DO

Contact us – [info@stuartfergusonaccountants.co.uk](mailto:info@stuartfergusonaccountants.co.uk)

## Good News for Employers - £3k NI Allowance

The [NICs Employment Allowance](#) was introduced in April 2014, for the purpose of supporting businesses and charities in helping them to grow by cutting the cost of employment.

This measure will increase the Employment Allowance by £1,000 to £3,000 from April 2016. This means eligible business and charities will be able to claim a greater reduction on their employer NICs liability.

*To ensure that the NICs employment allowance is focused on businesses and charities that support employment, from April 2016, companies where the director is the sole employee will no longer be able to claim the employment allowance.*

But many believe that HMRC's plan won't work because all you need to do is employ a family member or friend and then the one person should qualify for the allowance.



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