



Issue 55. May 2016

## TEAM NEWS

### Sandra Mitchell



Sandra Mitchell started full time in our Carnoustie office in February as an administrator assisting the Financial Advisers with research and report writing. When she's not

working she likes to box and play tennis and enjoys watching rugby. Her weekends are often occupied watching her teenage son playing football.

### Duncan Stott



Duncan is working in Andy's team as an accounts assistant and is responsible for clients' accounts, VAT, tax returns and bookkeeping. He lives in Tayport with his wife

Katrina and daughter Kaitlyn. His interests include watching football, going to concerts (he is a massive Simple Minds fan) and spending time with his family especially on Spanish holidays.



### Scott Anderson

Last year, Walker Dunnett & Co sponsored Scottish Long-Track Speed Skater Scott Anderson to get a new website up and running. Here is a short update on his progress the past year.

Scott is a step closer to achieving his 2018 Olympic ambitions by becoming the British Long Track Champion in the 500, 1000 and 1500m races held in The Hague, Netherlands.

Prior to the competition, Scott spent three weeks in Calgary, Canada achieving a number of personal best times which will eventually allow him to compete in World Cup events later this year.

Scott commented, "I'm really pleased with the progress I've made and I'm now really chasing those World Cup limit times.

Overall it's been a very successful season but hard work never stops. Now I need to work as hard as ever to get over that line and achieve my goals. It's about to be the most important year yet and I need as much support as possible so I have less worries off the ice and I can focus more on the ice."

For updates please visit [www.scottandersonspeedskater.com](http://www.scottandersonspeedskater.com)

Distance	Old time	New time	World cup limit
500m	37,29	37,03	36,6
1000m	1.14,20	1.13,17	1.12,8
1500m	1.57,13	1.54,15	1.52,5

### GO FIGURE...

100  
YEARS  
The age lobsters can live up to.

200  
YEARS  
The age whales can live up to.

507  
YEARS  
The age Icelandic clams can live up to.

7  
YEARS  
The amount of years you can extend your life by walking 1/2 an hour per day.

HOW MANY?  
Without looking it up, how many cities are Dundee twinned with and can you name them. Answer at the back of the newsletter.

### INSIDE THIS ISSUE:

p1 Team News

p2 Business Bits

Capital Gains Tax (CGT) rates

Goodwill on Incorporation and Entrepreneurs Relief

p3 Changes to property taxes for residential landlords

p4 Budget 2016: new Lifetime ISA for home buyers and retirement

# BUSINESS BITS

In the next few editions I thought I would include some interesting business thoughts for you to think about.

## There are just 4 ways to grow any business

- Increase the number of customers (of the type you want).
- Increase the number of times customers come back.
- Increase the average value of each sale you make.
- Increase the effectiveness of each process in your business.



## The power of synergy in your business

We'll demonstrate the full power of the four ways to grow your business working together.

Let's say you have a customer base of 1,000, that each of them buys from you once a year and that the average value of each sale is £100. This would give you annual sales of £100,000.

Let's say now that you have been able to increase the number of customers of the type you want by 10% to 1,100. With no other changes, this would increase your annual sales to £110,000 - 10% increase.

Let's now say that you have also been able to increase the number of times they buy from you by 10% to 1.1 times a year.

With 1,100 customers and an average sale price of £100, your annual sales would now be £121,000 - a 21% increase.

Finally you are also able to increase the average value of each sale by 10% to £110.

Your annual sales would now be £133,100 - an increase of 33.1%.

So, a 10% increase in each area gives a combined increase of 33.1% overall. That is the power of synergy!

Hopefully, the increase will surprise, impress and excite you.

Why not crunch the numbers for yourself and see what could mean for your business.

# CAPITAL GAINS TAX (CGT) RATES



The rates of Capital Gains Tax up to 5 April 2016 were 18% to the extent that any income tax basic rate band is available and 28% thereafter. The government reduced the higher rate of Capital Gains Tax from 28% to 20% and the basic rate from 18% to 10%. The trust Capital Gains Tax rate also reduced from 28% to 20%. The 28% and 18% rates will continue to apply for carried interest and for chargeable gains on residential property that do not qualify for private residence relief. In addition, the 28% rate still applies for Annual Tax on Enveloped Dwellings related chargeable gains accruing to any person (principally companies). These changes have taken effect for disposals made on or after 6 April 2016.

The rate for disposals qualifying for Entrepreneur's Relief (ER) remains at 10% with a lifetime limit of £10 million for each individual.

## Example 2016 / 2017

Annie, a higher rate taxpayer, has the following chargeable gains after the annual exemption:

- Gains eligible for Entrepreneurs Relief £100,000.
- A residential property gain £30,000.
- Other gains £10,000.

The Entrepreneurs Relief gain is taxable at 10%. The residential property gain will be taxed at 28% and other gains at 20%.

# GOODWILL ON INCORPORATION & ENTREPRENEURS RELIEF

New rules were introduced from 3 December 2014 which prevent individuals from claiming Entrepreneurs Relief on disposals of goodwill when they transfer their business to a related company in which they, or a member of their family, held any shares whatsoever. This means that Capital Gains Tax became payable on the gain at the normal rates of 18% or 28% rather than 10%. Revised legislation will be introduced in the Finance Bill 2016 to allow Entrepreneurs Relief to be claimed in respect of gains on goodwill where the individual holds less than 5% of the shares, and less than 5% of the voting power, in the acquiring company.

Relief will also be due where an individual holds 5% or more of the shares or voting power if the transfer of the business to the company is part of arrangements for the company to be sold to a new, independent owner.

This measure will have backdated effect and will therefore apply to disposals on or after 3 December 2014.

## If you have any queries on this please contact:

Danie Van Niekerk by telephone on 01382 224221 or by e-mail at [dvn@walkerdunnnett.co.uk](mailto:dvn@walkerdunnnett.co.uk)

# CHANGES TO PROPERTY TAXES FOR RESIDENTIAL LANDLORDS



Life is much tougher for residential landlords.

## From 6 April 2016

- Additional rate for Stamp Duty adds 3% when you buy 2nd property.
- Abolition of Wear and Tear allowance.
- New renewals basis introduced.

## From 6 April 2017

- By 2020 / 2021, interest will only have tax deduction at the basic rate of tax – phased in over 4 years to soften the blow.

## From 6 April 2019

- Faster payment of Capital Gains Tax – 30 days from date of disposal.

Below are a couple of examples highlighting the tax effect of restriction of interest relief.

### Example 1

- Bobby has a portfolio of properties owned personally.
- He has no other income.
- Income net of expenses but before interest £120k.
- Interest costs £80k.

	2015 / 2016	2020 / 2021
	£	£
<b>Rental income</b>	120,000	120,000
<b>Interest</b>	(80,000)	-
<b>Taxable profit</b>	<b>40,000</b>	<b>120,000</b>
<b>Tax</b>	5,880	41,403
<b>Tax relief on interest</b>	-	(16,000)
<b>TOTAL TAX</b>	<b>5,880</b>	<b>25,403</b>
<b>Increased tax</b>	-	<b>19,523</b>

- Effective tax of 63.5% of profit (was 14.7%).
- Could be more if child benefit claimed as would now be earning more than £50k.
- £1,076.40 for first child.
- £712.40 for each additional child.
- Need to consider overall circumstances.
- In highly mortgaged properties more likely to make it unviable with tax more than profit.



### Example 2

- Sally has a portfolio of properties owned personally.
- She has no other income.
- Income net of expenses but before interest £120k.
- Interest costs £110k.

	2015 / 2016	2020 / 2021
	£	£
<b>Rental income</b>	120,000	120,000
<b>Interest</b>	(110,000)	-
<b>Taxable profit</b>	<b>10,000</b>	<b>120,000</b>
<b>Tax</b>	-	41,403
<b>Tax relief on interest</b>	-	(22,000)
<b>TOTAL TAX</b>	-	<b>19,403</b>
<b>Increased tax</b>	-	<b>19,403</b>

- Effective tax of 194% of profit (was 0%).
- Could be more if child benefit claimed.
- In highly mortgaged properties more likely to make it unviable with tax more than profit.
- Need to consider this carefully.

If you have any queries on this please contact:

Andy Walker by telephone on 01382 224221 or by e-mail at [awalker@walkerdunnnett.co.uk](mailto:awalker@walkerdunnnett.co.uk)

# BUDGET 2016: NEW LIFETIME ISA FOR HOME BUYERS AND RETIREMENT



**Millions of adults under 40 will be able to use a new individual savings account (ISA) to buy a home or a pension, the chancellor announced. The Lifetime ISA will be launched in April 2017.**

Save up to £4,000 each year, and receive a government bonus of 25% – that’s a bonus of up to £1,000 a year. You can use some or all of the money to buy your first home, or keep it until you’re 60 – it’s up to you.

Open a Lifetime ISA account between the ages of 18 and 40, and any savings you put into it before your 50th birthday will receive an added 25% bonus from the

government. There is no maximum monthly contribution – you can save as little or as much as you want each month, up to £4,000 a year. The total amount you can save each year into all ISAs will also be increased from £15,240 to £20,000 from April 2017.

## Use it to save for a first home

Your savings and the bonus can be used towards a deposit on a first home worth up to £450,000 across the country. Accounts are limited to one per person rather than one per home – so two first time buyers can both receive a bonus when buying together

If you have a Help to Buy: ISA you can transfer those savings

into the Lifetime ISA in 2017, or continue saving into both – but you will only be able to use the bonus from one to buy a house.

## Use it to save for retirement

After your 60th birthday you can take out all the savings tax-free.

You can withdraw the money at any time before you turn 60 but this will be subject to penalties.

Whilst this has been announced it is still being consulted on and further changes may apply.

## If you have any queries on this please contact:

Ian Barr by telephone on 01241 855688 or by e-mail at [ibarr@walkerdunnett.co.uk](mailto:ibarr@walkerdunnett.co.uk)



## MEET THE TEAM

### Iain Craig

**YOU MAY NOT KNOW THIS, BUT...** I worked at Walker Dunnett & Co from school in 1989 until Christmas Eve 2003. The only remaining team member from my first day is Susan.

**MY GREATEST ACHIEVEMENT...** it has to be my daughter and son. I’m proud of how they have grown or are growing up .

**MY FAVOURITE TV SHOW...** well after the last couple of years Sportscene is a definite no go area for me!

**MY BIGGEST WEAKNESS...** some may say too many but it would probably be to put things off until tomorrow.

**FAVOURITE FOOD...** if you see before and after pictures of me from when I was previously here you can see that it would be fair to say that I’m not the most fussy of eaters. My kids have a very short list of what I do not like.

**MY PET HATE...** lazy dog owners. Being involved in kids football it annoys me that dog owners don’t pick up after their pet.

**MY FAVOURITE TIME OF THE YEAR...** although I enjoy Christmas time I prefer summer when I can go on walks with our boxer dog and, weather permitting, fire up the barbecue.

**MY LAST HOLIDAY WAS...** Sarigerme in Turkey last June to celebrate my daughter’s 18th birthday.

**THE BRAVEST THING I’VE EVER DONE IS...** not sure if this is classed as brave or stupid but it was to go into a slingshot in Florida with my oldest brother in 2002. It was before the days of cameras on phones but I’m sure there would be a few beeped out words.

**SOMETHING I COULDN’T LIVE WITHOUT...** my iPhone. And to think I never thought I would ever have a use for a mobile phone. That was before the days of Facebook and Twitter though.

## ANSWER TO GO FIGURE

Alexandria, USA; Nablus, Palestine; Orléans, France; Würzburg, Germany; Zadar, Croatia

## CONTACT US

### DUNDEE OFFICE

29 Commercial Street,  
Dundee DD1 3DG

Tel: 01382 224221  
Fax: 01382 206853

### CARNOUSTIE OFFICE

(Financial Services)  
24 High Street,  
Carnoustie DD7 6AQ

Tel: 01241 855688  
Fax: 01241 855952

[admin@walkerdunnett.co.uk](mailto:admin@walkerdunnett.co.uk)  
[www.walkerdunnett.co.uk](http://www.walkerdunnett.co.uk)



Please note that the information contained in this newsletter is not intended to be specific to any one person and is subject to change.