



Issue 56. August 2016

TEAM NEWS

Lynda Denney



It has been a busy few months at Walker Dunnett.

We welcome Lynda Denney to Danie's team. She is an accounts assistant working with Paola.

We have also had three weddings. In Andy's team, Maggie McLaren (formerly Bertie) and Norma McGregor (formerly Stuart) both got married as did Emma Cooper (formerly Ruxton) from Danie's team. We wish them all a long and happy future together.

On the exam front, we are glad to report that Norma and Becky have passed their latest set of exams. Well done ladies.

Finally, Michele from Andy's team will be off on maternity leave towards the end of September and we wish her and Jason our very best for their impending parenthood. We look forward to welcoming their addition to the family.

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EMPLOYER OBLIGATIONS



Elaine Irons
Payroll Bureau Supervisor

The government has issued the following guidance mainly to advise new employers of the stages they need to consider when employing staff for the first time, although it also acts as a useful reminder of the steps all employers should have followed. Please refer to the on line link www.gov.uk/employing-staff for more information. I have also summarised below the main steps for an existing employer:

Right to work in the UK

It is imperative that all employers check the eligibility of their current and new employees to work in the UK. Even for someone born in the UK the employer must see the original document and retain a clear copy of the documentation. Please refer to the following link to check if someone can work in the UK www.gov.uk/legal-right-work-uk

Contracts of employment

Ensure all employees are issued with a written statement of employment, including the terms and conditions of the job.

Auto enrolment pensions

Check when you need to automatically enrol your staff into a workplace pension scheme. Please refer to the following link to obtain your staging date. www.thepensionsregulator.gov.uk/employers/staging-date.aspx

National minimum wage rates

Employees must be paid at least the current minimum wage rate for their age.

In October 2016 the new rates will be:

- £7.20 per hour – 25 yrs old and over (Living wage effective from April 2016)
- £6.95 per hour – 21-24 yrs old
- £5.55 per hour – 18-20 yrs old
- £4 per hour – 16-17 yrs old
- £3.40 for apprentices under 19 or 19 or over who are in the first year of apprenticeship.

Future living wage and minimum wage increases will become effective from April each year, starting April 2017.

To find out more about Auto Enrolment and the latest information, please contact:

Elaine Irons in our Dundee office by telephone on 01382 224221 or by email at eirons@walkerdunnnett.co.uk

GO FIGURE...

300
£

The amount by which girls are more expensive to raise than boys per year. From birth to the age of five, girls cost more and the gap doubles during the teenage years because girls' clothing is more expensive.

-

56
PERCENT

The proportion of children who consider that their parents spend too much time on gadgets.

-

1,445
£

The average amount spent on a child during summer school holidays.

PERSONAL TAX CHANGES



The personal allowance

The personal allowance (the level at which you start paying tax) is now £11,000. From 2016/17 onwards one personal allowance will apply regardless of age.

Please remember that not everyone has the benefit of the full personal allowance. There is a reduction in the personal allowance for those with 'adjusted net income' over £100,000 which is £1 for every £2 of income above £100,000. So for 2016/17 there is no personal allowance where adjusted net income exceeds £122,000.

Tax bands and rates

The basic rate of tax is currently 20%. The band of income taxable at this rate has increased to £32,000 so that the threshold at which the 40% band applies is £43,000 for those who are entitled to the full basic personal allowance.

The additional rate of tax of 45% remains payable on taxable income above £150,000.

Tax bands and personal allowance for 2017/18

The Chancellor has announced that the personal allowance will be increased to £11,500 and the basic rate limit increased to £33,500 for 2017/18. The higher rate threshold will therefore rise to £45,000 for those entitled to the full personal allowance. This only applies to taxpayers not classed as Scottish taxpayers.

If you are classed as a Scottish taxpayer, which normally would mean you live and work in Scotland, the higher rate of tax will only increase with inflation. According to the Scottish Government publications this will mean the higher rate limited will be £43,387 for 2017/18.

Therefore, at current proposals you will pay around £300 more as a Scottish taxpayer if you are in the higher rate.

Tax on savings income

From 2016/17 the Savings Allowance (SA) will apply to savings income. Income within the SA will be taxed at a new 0% rate (the 'savings nil rate'). However, the available SA in a tax year will depend on the individual's marginal rate of income tax. Individuals taxed at up to the basic rate of tax will have an SA of £1,000.

For higher rate taxpayers, the SA will be £500 whilst no SA is due to additional rate taxpayers.

Alongside the introduction of the SA, banks and building societies will cease to deduct tax from account interest they pay to customers.



New dividend tax rules

Previously, when a dividend was paid to an individual, it was subject to different tax rates compared to other income due to a 10% notional tax credit being added to the dividend. So for an individual who had dividend income which fell into the basic rate band the effective tax rate was nil as the 10% tax credit covers the 10% tax liability. For higher rate and additional rate taxpayers, the effective tax rates on a dividend receipt were 25% and 30.6% respectively.

To determine which tax band dividends fall into, dividends are treated as the last type of income to be taxed.

From 6 April 2016:

- The 10% dividend tax credit is abolished with the result that the cash dividend received will be the gross amount potentially subject to tax.
- A new Dividend Tax Allowance charges the first £5,000 of dividends received in a tax year at 0%.
- For dividends above £5,000, new rates of tax on dividend income will be 7.5% for basic rate taxpayers, 32.5% for higher rate taxpayers and 38.1% for additional rate taxpayers.

Comment

Many individuals do not have £5,000 of dividend income so are potential winners in the new regime. The removal of any tax on dividends up to £5,000 increases the attractiveness of holding some investments which provide dividend returns rather than interest receipts. You can then also use the CGT annual exemption by selective selling of investments.

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

EMPLOYMENT TAX CHANGES

Following on from our newsletter articles in June, there have been various changes to employment tax rules as a result of the budget.



Andy Walker
Partner

National Insurance Contributions for apprentices under 25

From 6 April 2016 employer National Insurance Contributions (NIC) are 0% for apprentices under 25 who earn less than the upper secondary threshold (UST) which is £827 per week (£43,000 per annum). Employers are liable to 13.8% NIC on pay above the UST. Employee NICs are payable as normal.

Employee benefits and expenses changes from 6 April 2016

From 6 April 2016 a number of changes have been introduced relating to the tax treatment of employee benefits in kind and expenses:

- There will be a statutory exemption for certain expenses, such as travelling and subsistence expenses, reimbursed to an employee. This will replace the current system where employers have to apply for a dispensation to avoid having to report non-taxable expenses (on forms P11D).
- The £8,500 threshold below which employees do not pay income tax on certain benefits in kind will be removed. There will be new exemptions for carers and ministers of religion.

The statutory exemption for reimbursed expenses will mean that all employees will automatically get the tax relief they are due on qualifying expenses payments.

Another option is introduced which allows amounts based on scale rates to be paid or reimbursed, instead of the employee's actual costs. The rates that can be used are either HMRC approved figures or figures specifically agreed with HMRC in writing.

The approved figures only cover meals purchased by an employee in the course of business travel.

Employer provided cars

The scale of charges for working out the taxable benefit for an employee who has use of an employer provided car are now announced well in advance. Most cars are taxed by reference to bands of CO² emissions. There is a 3% diesel supplement. The maximum charge is capped at 37% of the list price of the car.

From 6 April 2016 there has been a 2% increase in the percentage applied by each band with similar increases in 2017/18 and 2018/19. For 2019/20 the rate will increase by a further 3%.

From 6 April 2017 the appropriate percentage for cars which have neither a CO² emissions figure nor an engine cylinder capacity, and which cannot produce CO² emissions in any circumstances by being driven, will be set at 9%. From 6 April 2018 this will be increased to 13%, and from 6 April 2019 to 16%.

Van benefit charge for zero emissions vans

The van benefit charge for 2016/17 is £3,170.

The government will extend van benefit charge support for zero-emission vans so that from 6 April 2016 the charge will be 20% of the main rate in 2016/17 and 2017/18, and will then increase on a tapered basis to 5 April 2022. The government will review the impact of this incentive at Budget 2018 together with enhanced capital allowances for zero-emission vans.



Employment intermediaries and relief for travel and subsistence

As announced at March Budget 2015, the government will introduce legislation in Finance Bill 2016 to restrict tax relief for home to work travel and subsistence expenses for workers engaged through an employment intermediary. This will bring the rules into line with those that apply to employees.

Employment Allowance

The NIC Employment Allowance was introduced from 6 April 2014. It is an annual allowance which is available to many employers and can be offset against their employer NIC liability.

From April 2016, the government will increase the NIC Employment Allowance from £2,000 to £3,000 a year. The increase will mean that businesses will be able to employ four workers full time on the new National Living Wage without paying any NIC.

To ensure that the NIC Employment Allowance is focussed 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.

If you have any queries on this please contact:

Andy Walker by telephone on 01382 224221
or by e-mail at awalker@walkerdunn.co.uk

OUR GUIDE TO INVESTMENT RISK PROFILING



Ian Barr
Financial
Services
Manager

As an investor you have a huge choice when it comes to deciding where to place your money. We must consider what your attitude to risk is and how you might want to diversify your investments. Risk profiled funds allow investors and advisers to match individual attitudes to risk to investment goals.

Risk vs reward

Before devising an investment strategy in order to reach your end investment goal, we must first establish how much risk you are willing to take. This can depend on:

- Your capacity to recover from losses should the markets fall during your investment period.
- The length of time you wish to be invested.

- Which investment products you should be investing in.
- Whether cash is more suitable to you.
- What other dependants you have relying on your investment goals i.e. family.

Some investment products are more 'risky' or volatile but can offer greater returns over time, but the reverse is also true, you could potentially suffer greater losses. For the most part, the more risk you are prepared to take the greater the potential reward.

How can my attitude to risk be assessed?

Through discussions and the use of an online tool we will arrive at your generated 'attitude to risk' and with further discussion around the identified risk outcomes, and comparison with alternative higher and lower risk category outcomes, we will agree a selected level of risk which truly reflect your personal attitude to risk and capacity for loss. We will then recommend the most appropriate

investments to match your circumstances and needs. Typically categories of attitudes to risk can range from (1) being the least risk to (10) being highly adventurous.

Don't forget that taking on more risk can lead to higher rewards but also potentially higher losses.

How investments are matched to my own level of risk

Risk profiled funds are specifically designed to match investors attitude to risk. For each category there would be a choice of risk profiled funds to match. Risk profiled funds are independently assessed according to a number of factors including what investments they hold, the investment team behind them and how they have performed based on historic data.

If you have any queries on this please contact:

Ian Barr by telephone on 01241 855688 or by e-mail at ibarr@walkerdunnnett.co.uk



MEET THE TEAM David McFarlane

MY GREATEST PASSION IS...

football. I used to play three times a week. Now I struggle to squeeze in a game of five-a-side now and again but still love it. And of course I support the best team in Dundee up at Dens Park.

MY PET HATE IS...

people wandering about with mobile phones, texting and not looking where they are going, when I find it impossible to do.

THE FIRST RECORD I GOT WAS...

a present from my sister. World Without Love by Peter & Gordon. My tastes have varied since then, going from Nat King Cole through Led Zeppelin to the Ting Tings and many more.

MY BEST HOLIDAY WAS...

in Peru. It involved lots of travelling and some altitude sickness but visits to the Nazca Lines, Lake Titicaca and Macchu Picchu made it all worthwhile.

THE BOOK I AM CURRENTLY READING IS...

The Scots Quair Trilogy by Lewis Grassic Gibbon featuring his famous novel Sunset Song. The recent movie, part of which I saw being filmed, doesn't do it justice.

MY FAVOURITE TIME OF YEAR IS...

holiday time which some people say lasts all year for me. I haven't had a holiday for six months. I'm getting withdrawal symptoms.

MY GREATEST WEAKNESS IS...

Snickers bars. Especially after a curry. Sublime.

MY FAVOURITE TV SHOW IS...

The Big Bang Theory. A bunch of geeks and the lovely Penny getting up to nonsense.

THE BRAVEST THING I'VE EVER DONE IS...

riding on the front seat of The Pepsi Max roller coaster in Blackpool. My daughter Anna didn't think it was that brave but I did.

WHAT CAR DO YOU DRIVE...

I drive a black Mitsubishi Mirage which I think must be invisible as it has been pranged six times when parked in car parks in Dundee over the past two years.

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