over 40 years in business

Walker Dunnett & Co

Issue 61. December 2017

Merry Christmas

from the Walker Dunnett team

TEAM NEWS

There is a new start in Danie's team. Replacing Becky, is Lisa Philip who is married and has three children. She lives in Dundee and enjoys walking and running. She will appear in a future "Meet the Team".

A great day out was had at the Monikie team building event, with thanks to the rangers at Monikie Country Park and Jamie and his team from Tonic who kept the team refreshed throughout the day.

Danie did an abseil in aid of The Royal Marine's Charity. Well done Danie.

Exam success – Kylie is now fully qualified and Lynda was also successful in passing her latest stage. Well done ladies!

INSIDE THIS ISSUE:

SIPP – THE PENSION PLANNER'S FLEXIBLE FRIEND

Ian Barr
Financial Services Manager

There has been a lot of fuss in the papers recently about Self Invested Personal Pensions (SIPPs) and the flexibility that they may or may not be able to offer for your pension planning. Following changes to pension rules in 2006, the flexibility offered by SIPPs meant they quickly became one of the most popular pension products in retirement planning.

How are SIPPs different?

The primary benefit driving this increase in popularity was the wide range of investments SIPPs provides access to – which generally includes not only funds but also direct equities, gilts, ETFs, investment trusts and, in some cases, commercial property. Additional rule changes in 2008 also allowed protected rights funds to be transferred over to SIPPs, enabling individuals to consolidate literally all their pension savings within the one, single wrapper.

This consolidation and the resulting wide range of options can make it much easier for some investors to manage their portfolio – setting up and monitoring their complete portfolio in one place, in line with their own needs and then switching between funds and assets easily as their situation changes.

Do you have the time, expertise and inclination to manage your own portfolio? The alternative would be to employ the services of an Investment Manager either on an advisory or a discretionary basis.

At Walker Dunnett & Co we have many years of experience providing SIPPs and using the services of Investment Managers to provide a bespoke Portfolio Management Service for our clients.

Want to find out more?

Of course, even with the flexibility, SIPPs are not necessarily right for everyone. This needs to be weighed against existing investment and pension products, charges, time to retirement and your attitude to risk and capacity for loss. However, in the right circumstances, they can open up a whole world of investment opportunities, which could enhance the right investors' potential for a comfortable retirement.

Here at Walker Dunnett & Co, we have access to the entire market of pension products and options to help you look for the best solution for your needs.

If you would like a comprehensive introduction to the types of planning available, contact:

Ian Barr or Tony Rudol in our Carnoustie office on 01241 855688.

GO FIGURE...

£2.3 billion

is the amount spent on alcohol in December.

-

4 in 10

Brits who admit that excessive festive boozing makes them want to take a break from alcohol.

-

744,000

drivers who get behind the wheel during the festive season, knowing they are over the limit.

-

57%

of plastic bottles are recycled in UK. The number in Norway and Germany is 98%.

-

1847

is the year Christmas crackers date from (several years before the Christmas card), when Tom Smith's Clerkenwell company started wrapping sweets in paper treated with saltpetre that made a bang as the 'crackers' were opened.

Within a decade, Smith was producing 13 million per year..

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PROPERTY INVESTMENT DOES IT MAKE COMMERCIAL SENSE?

Buy to let traditionally involves investing in property with the expectation of capital growth – with the rental income from tenants covering the mortgage costs and any outgoings. We can help you sort out some of the potential problems that may arise and structure the investment appropriately.

In recent years, the stock market has had its ups and downs. Add to this the serious loss of public confidence in pension funds, as a means of saving for the future and it is not surprising that investors have looked elsewhere.

The UK property market, whilst cyclical, has proved over the long-term to be a very successful investment. This has resulted in a massive expansion in the buy to let sector.

Buy to let involves investing in property with the expectation of capital growth with the rental income from tenants covering the mortgage costs and any outgoings. However, the gross return from buy to let properties i.e. the rent received less costs such as letting fees, maintenance, service charges and insurance – is no longer as attractive as it once was. Investors need to take a view on the likelihood of capital appreciation exceeding inflation.

Factors to consider:

Do

- Think of your investment as medium to long-term
- Research the local market
- Do your sums carefully
- Consider decorating to a high standard to attract tenants quickly.

Don't

- Purchase anything with serious maintenance problems
- Think that friends and relatives can look after the letting for you – you're probably better off with a full management service
- Cut corners with tenancy agreements and other legal documentation.

Which property?

Investing in a buy to let property is not the same as buying your own home. You may wish to get an agent to advise you of the local market for rented property. Is there a demand for say, two bedroom flats or four bedroom houses or properties close to schools or transport links? An agent will also be able to advise you of the standard of decoration and furnishings that are expected to get a quick let.

Tax on rental income

Income tax will be payable on the rents received after deducting allowable expenses. Currently allowable expenses include mortgage interest, repairs, agent's letting fees and an allowance for furnishings. Changes were announced in the Summer Budget, which impact on the allowable expenses for landlords.

Restrictions on loan interest relief

New rules have been introduced which restrict the amount of income tax relief landlords can get on residential property finance costs to the basic rate of income tax. Finance costs include mortgage interest, interest on loans to buy furnishings and fees incurred when taking out or repaying mortgages or loans. No relief is available for capital repayments of a mortgage or loan.

Landlords will no longer be able to deduct all of their finance costs from their property income. They will instead receive a basic rate reduction from their income tax liability for their finance costs. To give landlords time to adjust, the change will be introduced gradually from April 2017, over four years. The restriction in the relief will be phased in as follows:

- In 2017/18, the deduction from property income will be restricted to 75% of finance costs, with the remaining 25% being available as a basic rate tax reduction
- In 2018/19, 50% finance costs deduction and 50% given as a basic rate tax reduction
- In 2019/20, 25% finance costs deduction and 75% given as a basic rate tax reduction
- From 2020/21, all financing costs incurred by a landlord will be given as a basic rate tax reduction.

This restriction will not apply to landlords of furnished holiday lettings.

Replacement of furnishings

A new relief enables all landlords of residential dwelling houses to deduct the costs they actually incur on replacing furnishings, appliances and kitchenware in the property. The relief is available for expenditure incurred on or after 1 April 2016 for corporation tax and on or after 6 April 2016 for income tax. This measure gives relief for the cost of replacing furnishings to a wider range of property businesses as previously there was no tax relief for the replacement of furnishings in partly furnished or unfurnished properties.

Examples of eligible capital expenditure are:

- Furniture
- Furnishings
- Appliances (including white goods)
- Kitchenware.

But would exclude items which are fixtures. However, the relief is limited to the cost of an equivalent item if there is an improvement on the old item. The deduction will not be available for furnished holiday lettings or where rent-a-room relief is claimed.

The end of wear and tear allowances

The 10% wear and tear allowance, which was available to landlords of fully furnished properties, has been abolished from April 2016.

Tax on sale

Capital Gains Tax (CGT) will be payable on the eventual sale of the property. The tax will be charged on the disposal proceeds less the original cost of the property, certain legal costs and any capital improvements made to the property. This gain may be further reduced by any annual exemption available and is then taxed at either 18% or 28% or a combination of the two rates.

CGT is generally charged at 10% within the basic rate and 20% for higher rates. However, 18% and 28% rates apply to chargeable gains arising on the disposal of residential property that does not qualify for private residence relief.

Student lettings

Buy to let may make sense if you have children at college or university. It is important that the arrangement is structured correctly. The student should purchase the property (with the parent acting as guarantor on the mortgage). There are ways to structure the purchase, to effectively have no cost to you or your child.

Land & Buildings Transaction Tax

There is also Land & Buildings Transaction Tax to take into account. If you own your own home (whether outright or mortgaged) additional tax of 3% of the value of the property will be payable. This is if you own property in your own name or in a company.

How we can help

Whilst some generalisations can be made about buy to let properties, it is always necessary to tailor any advice to your personal situation. Any plan must take into account your circumstances and aspirations.

Whilst a successful buy to let cannot be guaranteed, professional advice can help to sort out some of the potential problems and structure the investment correctly.

If you have any queries regarding the above, please do not hesitate to contact:

Danie van Niekerk by phone on 01382 224221
or by e-mail at dvn@walkerdunnett.co.uk.

AUTUMN BUDGET

The Chancellor Philip Hammond presented his first Autumn Budget on Wednesday 22nd November 2017.

His report set out a number of actions the government will take including support for more house building. His view is that the economy continues to grow and continues to create more jobs. The major attention-grabber was aimed at first time buyers who will not have to pay Stamp Duty Land Tax on homes costing up to £300,000. This does not affect Scotland as we have the Land and Buildings Transaction Tax system.

We have a summary available to look at on our website and it focuses on the tax measures which may affect you, your family and your business. To help you decipher what was said we have included our own comments.

Main Budget tax proposals

Our summary concentrates on the tax measures, which include:

- Increases to the personal allowance and basic rate band
- More tax relief for investment in certain Enterprise Investment companies
- Proposed changes to Entrepreneurs' Relief
- Improvements to Research and Development tax credit regimes
- VAT limits frozen for two years
- Support for businesses to cope with the effects of business rates revaluation and the so-called 'staircase tax'.

Previously announced measures include:

- Plans for Making Tax Digital for Business
- The reduction in the Dividend Allowance
- Changes to NICs for the self-employed
- Capital allowance changes for cars from April 2018.

Contact us if you are worried about what the budget proposals mean for you.

If you have any queries regarding the above, please do not hesitate to contact:

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

AUTO ENROLMENT

Elaine Irons
Payroll
Bureau
Supervisor

The following link from the Pensions Regulator provides further details in relation to auto enrolment obligations for new employers **www.thepensionsregulator.gov.uk/duties-for-new-employers-from-1-october-2017.aspx** This effectively means new employers will have auto enrolment obligations from the first day they appoint an employee. This does not necessarily mean the employer has to select and set-up an auto enrolment pension scheme, as per the following link **www.thepensionsregulator.gov.uk/checking-who-to-enrol.aspx**

In summary:

- An employer with an employee aged between 22 and state pension age, earning over £833 per month must select and set-up an auto enrolment compliant pension scheme and enrol employees. The employee will have a one month window to opt-out and receive a full refund of contributions but the employee cannot opt-out before they have been opted-in to the scheme. A declaration of compliance also needs to be submitted to the Pensions Regulator.
- An employer who has employees who do not meet the auto enrolment qualifying criteria, aged between 22 and state pension age earning over £833 per month, must still write to all employees to give them the opportunity to join an auto enrolment pension scheme. If an employee indicates they wish to join an auto enrolment pension scheme the employer must select and set-up an auto enrolment compliant pension scheme. A declaration of compliance also needs to be submitted to the Pensions Regulator.
- If only directors are being paid through the payroll there may be no auto enrolment obligations, but the employer will still need to contact the Pension Regulator to advise they are not an employer **www.thepensionsregulator.gov.uk/en/employers/what-if-i-dont-have-any-staff.aspx** No declaration of compliance will apply in this instance.

Additionally, minimum workplace pension contributions will soon be increasing, as per the table below:

Date Effective	Employer minimum contribution	Employee minimum contribution	Total minimum contribution
Currently until 5 April 2018	1%	1%	2%
6 April 2018 to 5 April 2019	2%	3%	5%
6 April 2019 onwards	3%	5%	8%

If you have any queries regarding the above, please do not hesitate to contact:

Elaine Irons by phone on 01382 224221
or by e-mail at eirons@walkerdunnett.co.uk

MEET THE TEAM

Michele Hamilton – Accounts Assistant, Dundee Office

THE THING I CAN'T LIVE WITHOUT
Pyjamas...I live in my pyjamas. And Sky.

MY GREATEST WEAKNESS
My little girl Eilidh. She stole my heart and changed my life.

IF I COULD PASS A LAW
It would be that everyone has to read Harry Potter at least once.

MY FAVOURITE TV SHOW
Emmerdale. I would love to live there.

MY GUILTY PLEASURE
McDonalds. I think I could eat one every day and not be sick of them.

MY FAVOURITE TIME OF THE YEAR
Winter — chunky jumpers, dark nights, hot chocolate and Christmas.

MY FAVOURITE PLACE IN BRITAIN
St Andrews. I used to spend every summer there when little and love the old style of the town.

THE SHOP I CAN'T WALK PAST
Probably the Disney Shop.

IF I WON THE LOTTERY
I would move to Florida and take up baking. Probably buy a spa and take up horse riding.

MY LAST HOLIDAY WAS
Lanzarote. I took my wee girl on her first holiday. She loved wiggling her toes in the sun whilst being pushed about in the buggy.

CONTACT US

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