

February 2016

### Full PDF version of email sent to Clients and Associates of A Mitra & Co

I am pleased to attach the Spring 2016 edition of our Newsletter. Also attached is a document to explain in more detail the changes to the dividends from 6 April 2016.

If you cannot receive attachments then you can download the latest issue of the spring edition, explanations on dividends and the yearend review by clicking on the links below or cutting and pasting the link into the search box of your web browser:

Spring Edition: <http://www.amitra.co.uk/news/A%20Mitra%20&%20Co-20205-NL-2016%20Spring.PDF>

#### Changes to Dividends:

<http://www.amitra.co.uk/news/160219%20Tax%20on%20Dividends%20from%205%20April%202016%202.pdf>

2015-16 Year End review: <http://www.amitra.co.uk/news/AMITRA-NL-2015-16%20%20Year%20End%20Tax%20Review.pdf>

All past issues of our newsletters covering topical tax, legal and business issues can be downloaded by clicking on the link below:

<http://www.amitra.co.uk/news/>

### **Comments from Alok Mitra (Partner- Provides business advice to our clients).**

I have added some comments on the economic back drop and what they may mean to you and some actions for you to consider. The current economic climate and tax changes will impact all of us. Initially it means that we will all pay more in tax but there also opportunities to benefit from some of the tax changes and potential opportunities from the current uncertainties and market volatility. In order to avoid the pitfalls and embrace the opportunities that presents itself it is necessary to understand what is really going on and then plan your strategy, take the appropriate advice and then proceed with implementing your plans and review the outcomes.

#### **Economic background**

The economic background globally is very uncertain at the moment with failing commodity prices, another potential looming banking crisis in Europe, the inability of governments to cut public expenditure, rising debt and now Brexit. Unfortunately, all of these could potential have a significant impact on us all. Therefore, we need to understand what this means for our businesses and for us personally and then do what we can to manage the adverse impacts and then look for profit opportunities.

## What does this mean for you and your business?

### *The bad news:*

- a) Your taxes will go up. See our 2015-16 yearend review.
- b) Sterling is likely to weaken and be very volatile as opinion polls move on the back of the Brexit debate now under way.
- c) If the UK exits the EU then the consequences will be more uncertainty and market turmoil will continue for some time until a clear picture emerges of the likely economic outcome. Based on past experience I do not expect the political debate to provide much insight from the two fractions in the debate. It is all likely to be based around political personalities and scaremongering. This will only add to market uncertainty.
- d) Introduction of the living wage supplement of £0.50 to bring up the minimum wage to £7.20 for staff who are 25 and over will add to the costs of small business employing staff.
- e) Restrictions on pension contribution for top earners will be tapered down to £10,000 from 2016-17. See our spring newsletter page 3.
- f) The rules on capital extraction by liquidating your company and then starting a new one with a view to enjoying a lower rate of capital gains tax is changing. See page 4 of our newsletter.
- g) There will be an extra 3% stamp duty (SDLT) on all second homes and buy to lets.
- h) For most landlords their mortgage interest relief on their buy to let will be replaced by a flat allowance of 20% on the mortgage interest paid. This will be phased in but it will make many buy to let uneconomic.

### *The good News:*

- a. Some taxes will be coming down such as corporation tax - this is set to fall to 18% over the coming years in two stages starting April 2017.
- b. The personal allowance will increase to £10,800 from April and rise to £11,000 the following year
- c. The higher rate tax threshold is also set to rise.
- d. Businesses will get a higher employment allowance which rises to £3,000 for 2016/17. However, the bad news is that for one person companies this allowance is being withdrawn from 2016-17. See our spring newsletter.
- e. A personal savings allowance of £1,000 will be introduced – see page 4 of the spring newsletter.

## **Our government will raise a lot more in taxes**

Our government has not been able to curb public expenditure for a variety of reasons and it is likely to miss its deficit reduction target for 2015-16 despite the large surplus it received from the January tax receipts.

In the absence of being able to cut public expenditure the government will need to raise taxes significantly in order to have any chance of reducing the deficit. Despite the governments rhetoric of making taxes fair and getting more revenue from the multinationals and the very wealthy this is unachievable goal as these taxpayers are very good at tax avoidance. Some would argue that they already pay a lot of the tax in money terms and any more would be a disincentive for them to earn more money and they will also look for ways to avoid paying tax. The wealthy, (the top 10% taxpayers) account for around 35% of the tax take. Multinationals operate globally and can move their profit. For this reason, no government acting on their own have been able to do very much to rein them in - it needs

global agreements, not easy to achieve. Note the concessions given to HSBC to stay in the UK. The poor do not pay much actual tax instead they draw much more in benefits, a number of which are in working benefits. This leaves the middle earners to do the heavy lifting which is why most of us will have to pay a lot more from April this year

### **Tax rises coming your way**

We covered a lot out the tax rises to come in our year-end review sent to you last month. If you have not read it you can download it from <http://www.amitra.co.uk/news/AMITRA-NL-2015-16%20%20Year%20End%20Tax%20Review.pdf>

Whilst the politicians talk about openness and transparency from the tax payer about their tax affairs they are quietly busy pushing through stealth taxes. There are too many to mention here but include a rise in duty on insurance from 6% to 9%, an extra 3% on second homes including buy to let, the reduction in pension allowances and of course the new tax on dividends which most of you will be impacted by.

### **Actions you need to consider and take before 5 April 2016**

1. Bring forward dividends to 2015-16 by declaring a dividend in March. Please read the article on changes to dividends.
2. If you are likely to see your pension contribution reduced, then consider making a big contribution now. You can bring forward unused allowances from the previous 3 years. You may also need to consider stopping further pension contributions in light of the reduced £1 million life time cap. Please read page 3 of the newsletter and seek advice on this important aspect of your retirement planning.
3. Read through our 2015-16 yearend review for further action points.
4. Completing the purchase on any buy to lets by 31 March.

Finally, we will of course be happy to discuss with you any of the points covered in our reports and newsletters and help you adapt and reassess your plans in the light of any legislative changes. Other aspects where we can help include:

1. Reviewing your business and identifying business risks and helping you to manage them.
2. Helping you to manage your foreign currency exposure.
3. Preparing or reviewing your profit forecasts and budgets.
4. Personal tax planning including inheritance tax advice and generic advice on savings and investments. Please note that we are not allowed to recommend individual savings products.