2016 Budget

Mitchells Chartered Accountants alongside Humberts Chartered Surveyors hosted an Agricultural Seminar at Rumwell Farm Shop Café on 17 March. We thought the evening went seamlessly and were delighted the event was so well supported by over 120 local farmers and agricultural businesses. A collection of great speakers and fabulous food helped make the evening a true success!

George Osborne delivered his 8th budget on the 16 March, the Chancellor started by stating that the UK Economy was 'Strong, growing and resilient' but he did accept that there are problems ahead for the global economy and the outlook is materially weaker.

The ongoing debate over the implications of Britain's potential exit from the EU also meant that the budget was presented at a time of increasing economic and political uncertainty. You will have seen the headlines in respect of the sugar tax however we are reassured that this will not affect milk based drinks or pure fruit juice drinks. News of increased sport and maths in schools and the freezes on duty rates for beer, spirits and cider were also announced. It will be cheaper to visit our neighbours in Wales from 2018 and in addition fuel duty has been frozen for the 6th year in a row, which is estimated to save the typical motorist £75 per year. George Osborne stated however that it was 'a budget for small businesses' and promised "big tax cuts for small firms".

Other key announcements included the next step in the government's drive to increase the income tax personal allowance, which will rise to £11,500 from April 2017, at which time the threshold for higher rate tax will also rise to £45,000. In addition Class 2 National Insurance is to be abolished from April 2018, and a reform of Class 4 National Insurance will be undertaken.

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Capital Gains Tax

Capital gains tax is charged when you sell an asset that has increased in value, for example property or shares. From April 2016 the rate of Capital Gains Tax has been cut to 10% from 18% for basic rate tax payers, while the 28% higher rate drops to 20%. The exception to this is chargeable gain on the disposal of residential property (that do not qualify for private residence relief). So second homes and buy-to-let property continue to be subject to the higher 18% or 28% rates by means of an 8% surcharge on the standard rates. This reduction will be a useful saving for farmers wishing to sell an off-lying block of land but the announcement provides no encouragement to those looking to sell a second home.

Buy to Let Property Barriers

Property owners have had a hard time of late from George Osborne with relief for mortgage interest payments being restricted to 20% rather than full relief for the interest incurred being allowable against property income. This will be introduced by a phased reduction in relief over 4 years starting from April 2017. Also there is a 3% increase in the rate of Stamp Duty Land Tax on purchases of additional residential property coming into effect from 6 April 2016 and it has now been confirmed that this increase in stamp duty on second homes applies equally to individuals, companies and businesses with significant property portfolios. One welcome area of change for landlords is that a new relief that allows all residential landlords to deduct the actual cost of replacing furnishings will apply to tax returns from 6 April 2016. This new relief is for all landlords and will come as good news for unfurnished property landlords who have previously not been able to claim anything in respect of furnishings.

Business Rates

Mr Osborne announced that there was to be a permanent rise so that businesses with a property with a rateable value of £12,000 and below will receive 100% relief, while businesses with a property with a rateable value between £12,000 and £15,000 will receive tapered relief. This is welcome news for farmers with diversified enterprises.

Lifetime ISA

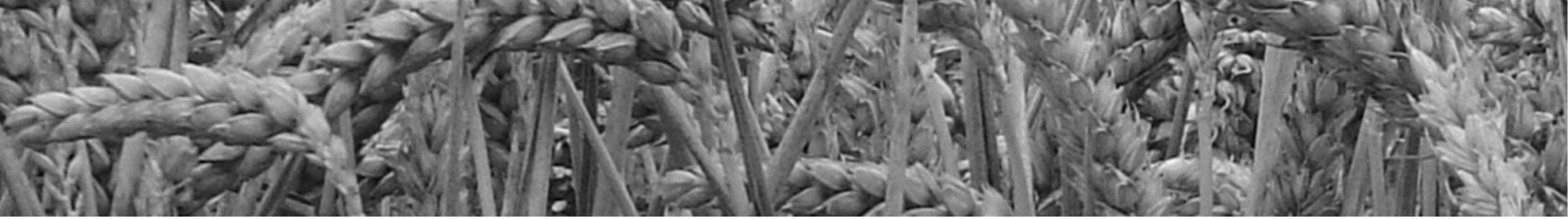
Savers have also been given some good news with the announcement of an increase in the existing ISA limit from £15,240 to £20,000 from April 2017. For younger savers , there is also the launch of a new product, the flexible Lifetime ISA (LISA). The LISA is for those aged under 40 and will allow them to save up to £4,000 each year and receive an additional 25% bonus from the government. Osborne said this is intended to address the challenges facing young people who want to save, by ensuring they do not have to choose between saving for retirement and saving for their first home. Contributions can continue to be made with the bonus paid up until the age of 50. Funds can be used to buy a first home (with the government bonus) at any time from 12 months after opening the account, and can be withdrawn from the LISA (with the government bonus) from age 60 for use in retirement. If you take funds out early you will not receive the government 25% bonus, or any interest , in addition you will have to pay a 5% penalty charge.

National Living Wage and Employment Allowance

From 1 April 2016, the new National Living Wage comes into effect for workers aged 25 and over. Initially set at £7.20 this is set to rise to £9 by 2020. The national minimum wage and national living wage cycles will be aligned with effect from April 2017 so that both rates are amended in April each year. From April 2016 the annual Employment Allowance for employer national insurance contributions increases from £2,000 to £3,000 although sole director companies will no longer be able to claim this allowance.

Dividend Changes

A new dividend allowance of £5,000 per annum is being introduced for the 2016/17 tax year, therefore the first £5,000 of dividends received will be taxed at 0%.—the dividend nil rate band. Income tax at a rate of 7.5% will be charged on dividend income received in the basic rate band rising to 32.5% for higher rate taxpayers. This could raise income tax liabilities for those who are used to the current regime where no additional tax is incurred on dividends received up to the basic rate limit.



Auto Enrolment

Auto enrolment (AE) is where employers have to automatically enrol certain employees into a qualifying pension scheme depending on their age and qualifying earnings. You have to adhere to your duties from your staging date which you are informed of by the Pensions Regulator who are the governing body for AE.
Currently the minimum contribution for employers is 1% with an overall minimum pension contribution from both employers and employees being 2 %. There is no set maximum and therefore if an employer decided to contribute 2% this would mean the employee would not be required to make any contribution. The employees you will have to automatically enrol are those who earn over £10,000 per annum and are aged between 22 and state pension age. Employees who earn between £5,824 and £10,000 per annum and are aged between 16 and 74 or earn over £10,000 and are aged between 16 and 21, or state pension age and 74, are Non Eligible employees. These employees can ask to opt in to an AE qualifying pension scheme and employers must pay contributions. If your worker earns less than £5,824 per annum then they are classed as entitled workers and can again ask to join a pension scheme although this doesn't have to be AE qualifying and the employer will not have to contribute to the scheme.

Staff News

We were thrilled with the news that Esther Chamberlain, a manager at Mitchells, has recently become engaged. After a busy January, her fiancé Mark who is also from Tiverton popped the question. Esther joined the firm in 2001 and we are pleased to say that she will not be moving and will remain on her family farm. We wish them every happiness for their wedding date later in the year.