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RESIDENTIAL PROPERTIES: ANNUAL TAX ON ENVELOPED DWELLINGS (ATED)

TERESA FORD, DIRECTOR

Where residential properties are owned in Companies or Partnerships that include a Corporate Partner, and the value of the residential element exceeds certain limits, an annual tax (ATED) charge may apply. This applies to separate dwellings so will also include each flat in a block of flats.

When this was introduced on 1 April 2013 it affected residential property valued over £2 million. On 1 April 2015 this was changed to those valued over £1 million.

From 1 April 2016 the starting value for which a property will be brought into the ATED tax charge is reduced to £500,000. For those affected by this new starting value the ATED Return will need to be submitted, and any tax paid, by 30 April 2016.

Reliefs, subject to conditions, extend to 100% but these need to be claimed on a Return and submitted by the due date otherwise late filing penalties up to £1,600 may apply.

Reliefs from the ATED charge that you may be able to claim include:

- A residential rental property let to a third party on a commercial basis.
- A residence used by an employee of the company (With 10% or less interest in the company)
- A farmhouse that is occupied by a farm worker and forms part of the land that is occupied for the purpose of the qualifying trade.
- A residential property that is part of a property trading business.
- A residential property that is part of a commercial property development business.

If you think that you may be affected by the reduced starting value for ATED, you need to consider submitting any relief claims well before 30 April 2016 to avoid penalty charges for late submission.

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HELP TO BUY: ISAS

The new Help to Buy ISA scheme opened on 1 December 2015 with 14 providers offering the savings product. First time buyers will be able to save up to £200 per month towards a deposit on their first home in the UK.

- For every £200 saved the government will contribute £50.
- The account can be opened with an initial investment of up to £1,000.
- The maximum bonus is £3,000 (on £12,000 of savings)
- The minimum bonus is £400 (on £1,600 of savings).
- The limits are per person so a couple saving together can both benefit.
- Savings can be withdrawn for another purpose but no bonus will be payable.



The accounts will be available for opening for four years until 30 November 2019.

The bonus will be available on home purchases of up to £450,000 in London and up to £250,000 outside London, and will be paid at the time the home is purchased. A claim for the bonus must be made as part of the conveyancing process.

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CAPITAL GAINS TAX ON RESIDENTIAL PROPERTIES: 30 DAYS TO PAY

It is proposed that from April 2019 a payment on account of any Capital Gains Tax (CGT) due on the disposal of residential property must be made within 30 days of completion of the sale.

It is possible that the conveyancing solicitor could withhold the estimated CGT from the proceeds on completion and pay this over to H M Revenue & Customs.

It is not expected that the existing rules for calculating the CGT charge will change, so if the disposal is fully covered by principal private residence (PPR) relief then no tax will be payable.

Currently the cash flow advantage sits with the taxpayer, as the tax is not due until 31 January after the end of the tax year in which the gain arose. This gives between 10 and 22 months from receipt of the proceeds to calculate the tax and pay it over to HMRC.

This change will mirror the 30-day deadline for the submission of the Non Resident Capital Gains Tax (NRCGT) return and payment of tax which has been in force since 6 April 2015.

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COMPANIES HOUSE: FILING CHANGES FROM JUNE 2016

From June 2016 changes are being made at Companies House relating to the filing of annual returns and directors' details.

The changes will include a new category being introduced known as People of Significant Control (PSC). PSC's are expected to include those who own more than 25% of the shares or voting rights or any other form of control of the company.

Typically there is not yet a clear definition of "significant influence or control" so we will monitor updates from Companies House for clarification in due course.

For those companies incorporated pre 30 June 2016 the PSC particulars will be part of the Annual Return process. If companies are incorporated post 30 June 2016, the PSC particulars will be part of the incorporation process.

For those clients where we keep the statutory books and are the registered office we will ensure the changes are made as required. For those who are not, you are welcome to speak to Sue Bellingham to see how we can help.

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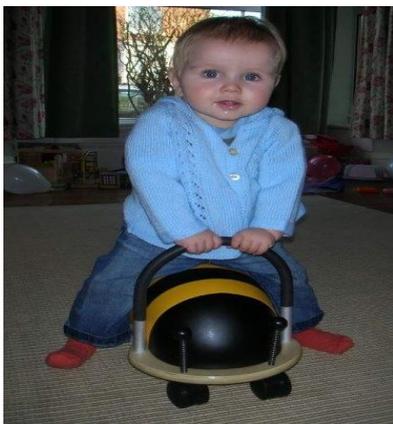


TAX FREE CHILDCARE SCHEME

The Autumn Statement in 2015 changed the eligibility criteria for the new tax-free childcare scheme which is due to be launched in early 2017.

- The upper income limit per parent was lowered to £100,000 (from £150,000), and
- The minimum weekly income level per parent was doubled from the equivalent of eight hours to sixteen hours worked at the national living wage (£115.20 a week at the April 2016 rate of £7.20 an hour).

The tax-free childcare scheme is open to the self-employed as well as the employed and will:



- pay an extra 20p for every 80p contributed, up to £10,000 per annum,
- be available for children up to the age of 12 (17 for disabled children),
- be available to any eligible worker as it does not need to be offered by an employer,
- allow for balances to accumulate, eg to meet the extra cost of childcare in school holidays,
- permit contributions from parents, grandparents, other family members and employers, and
- permit withdrawals if circumstances change (although the government will withdraw its corresponding contribution).

The scheme will not replace workplace nurseries, but employer-supported childcare will be closed to new registrants from the launch of this scheme. Those already registered for employer-supported childcare can continue to receive it for as long as their employer continues to provide it.

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KM TEAM PROFILE: JESS CLARKE

By now most of you will have met our new receptionist and addition to the KM family, Jess Clarke. Jess joined KM in September 2015 having previously trained as a beauty therapist working at the Holiday Inn in Bromsgrove. She had originally planned to work on cruise ships around the world but later decided to change her career path to reception and administration work.

Jess primarily works with the KM tax department assisting with administration but also helps out with some accounts administration for our clients.

Jess is 23, lives at home with her parents and has a boyfriend, Phil, who is a Royal Navy Engineer on HMS Ocean.

Football is Jess and her parents' passion and for over ten years they have been supporters of Worcester City Football Club. Jess is a Trust member while her mum and dad are Trust Directors. Jess says "my mum introduced me to the club as she supported them when she was younger, after she went to a FA cup match against Huddersfield, and has loved it ever since".

Jess's mum is the match day announcer for Worcester City and has been for the last five years. Jess, her mum and dad do a lot of voluntary work for the club such as running the Trust tables on match days, as well as helping with different events for the club such as fetes and being stewards on coaches for FA cup days.



There is no doubt that family life and football are Jess's biggest passions.

We hope that Jess has settled in to her new role at KM and look forward to hearing about her football exploits.

KM SUPPORT TEXT SANTA: CHRISTMAS JUMPER DAY

Text Santa is back and the KM team did their bit in a Christmas knit for Text Santa Christmas Jumper Day!

On Friday 18 December, the team blew off the cobwebs and wore their Christmas jumpers, hats and antlers with pride in support of the Text Santa festive fundraising cause. The Christmas charity appeal is aimed at giving hope at Christmas to families in difficulty.

Text Santa is supporting three fantastic charities this time - Macmillan Cancer Support, Make-A-Wish UK and Save the Children. The KM team are proud to have raised £85 in support of these charities.



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