

# A R Lee & Co

## newsletter

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*In this issue of our newsletter, we have highlighted the main provisions in last week's Budget, as well as other key recent changes that we believe are most relevant to the majority of our client base.*

*As ever, do please let us know if you have any questions or comments that you wish to make.*

We currently face either a relatively short or, perhaps, much longer period of economic uncertainty, depending on which way the UK votes in the EU Referendum on 23 June.

We suspect that very few people know what will really happen if the UK decides to leave the EU (good or bad) and it is interesting to see the different politicians and business men and women who are now declaring themselves either for or against continued membership. We can only hope that over the coming months sufficient information will become available for everyone to make an informed decision either way.

In the meantime, our own business continues to expand and we have added many new clients to the firm.

However, this has placed more pressure on our payroll service particularly and we are therefore delighted that Jeanette Kemp joined us in January in order to head up this area of our work.



Jeanette

Jeanette is very experienced and is already making a big difference to the quality of service we are able to provide.

Jeanette will also be heavily involved in the roll-out of our work place pension service (auto-enrolment) in conjunction with our chosen pension scheme provider, Now Pensions.

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## Budget News

The Chancellor's Budget speech last week was perhaps more significant for what he didn't do, rather than for the changes that were announced. Before the Budget, there was certainly a fear of significant change to the tax rules regarding pensions and possibly also more change to the taxation of small limited companies. These proved to be unfounded, although the taxation of small business remains under review.

The Budget contained many detailed changes and these were fully explained in the online newsletter we issued on the morning after the Budget. If you do not currently receive our online newsletters and wish to do so, please register your details via our website at [www.arlee.co.uk](http://www.arlee.co.uk).

Amongst the changes that were announced, perhaps the most significant are:

### Capital Gains Tax

Introduction of new reduced tax rates for chargeable gains other than those arising from residential property. Relaxation of restrictions previously introduced to Entrepreneur's Relief on transfers of businesses or associated assets to related companies and also to business structures involving joint ventures or partnerships. Extension of Entrepreneur's Relief to external investors in unlisted trading companies on shares issued after 17 March 2016 that are held for at least three years after 6 April 2016.



### Stamp Duty Land Tax (SDLT)

Extending the period an individual can own two residential properties and still obtain a refund of the extra 3% SDLT paid on the second purchase from 18 to 36 months. Changes to the way in which SDLT is charged on commercial property transactions which will reduce the cost for smaller purchases.

### ISAs

Extending the additional tax credit already available to Help to Buy ISAs to a new style Lifetime ISA, which will be available to individuals under the age of 40 from 2017.

### Business Rates

Significant reduction in the cost of business rates for smaller traders.

### Anti-Avoidance

Continued crackdown on perceived tax avoidance, particularly in respect of managed service companies (although genuine personal service companies are unaffected) and disguised remuneration schemes. Increased penalties for schemes successfully tackled under the General Anti-Avoidance Rule (GAAR).

## Employment News



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### National Living Wage (NLW)

Don't forget the new NLW comes into effect from 1 April 2016.

All workers aged 25 or over will be entitled to be paid at least £7.20 per hour. HMRC are responsible for policing the minimum wage and they may well be able to tell from the payroll data they receive under RTI if someone is being paid under the limit.

### Travelling To and From Work Can Count As "Working Time"

The European Court of Justice (ECJ) ruled last year that travelling workers with no fixed or habitual workplace are able to count time spent travelling between home and their first and last customer as "working time" under the EU Working Time Directive and will therefore need to be taken into account to ensure compliance with The Working Time Regulations 1998 (WTR).

However, this time does not count as "time work" for the purposes of the National Minimum Wage Regulations 2015 (NMW) and does not therefore need to be paid for. Only the time spent travelling between the first and last customer counts for this purpose.

### Apprentices and Employer National Insurance

From 6 April 2016, if you employ an apprentice, you may no longer be liable to pay employer's National Insurance if there is a written agreement between you, the apprentice and the training provider which meets relevant conditions and the apprenticeship receives government funding.

The relief ends when the apprenticeship stops, or the apprentice becomes 25 years old.

### CIS—Mandatory Online Filing

From April 2016, all contractors will have to file their CIS returns online and, from April 2017, all subcontractor verifications will also need to be obtained online.

### Advisory fuel rates for business mileage

The latest rates available apply from 1 March 2016 and are reviewed every three months. See [www.hmrc.gov.uk](http://www.hmrc.gov.uk) (advisory fuel rates) for the latest details. The previous quarter's rates are shown in brackets:

Engine size	Petrol	Diesel	LPG
1400cc or less	10p (11p)		7p (7p)
1401cc – 2000cc	12p (13p)		8p (9p)
Over 2000cc	19p (20p)		13p (13p)
1600cc or less		8p (9p)	
1601cc – 2000cc		10p (11p)	
Over 2000cc		11p (13p)	

## Property Corner

### New Renewals Basis - all change again!

From April 2016, residential landlords of either furnished or unfurnished properties will once again be able to claim for the cost of replacement furniture, furnishings, appliances and kitchenware. Furnished holiday let and commercial landlords will continue to be dealt with separately under the capital allowance rules. The current statutory 10% wear and tear allowance for furnished lettings is abolished from the same date.



No relief will be available for the cost of initial items provided for domestic lets, but when they are replaced, relief will be given in full, provided the replacement is substantially the same as the original item, or it is the nearest modern equivalent.

It may therefore be worthwhile delaying the replacement of an item that does not currently qualify for relief until after 6 April 2016, if at all possible.



### 3% SDLT Surcharge

Purchasers of buy to let properties or second homes which complete after 1 April 2016 will have to pay 3% extra SDLT on any consideration over £40,000 and many buyers are rushing to complete purchases before that date which is affecting the current market.

The new rules are confusing and are not yet fully understood. The definition of "main residence" is based on the facts and it is not possible to make an election for a second home to be treated as the main residence, unlike for capital gains tax purposes.

Anyone who temporarily owns more than one main residence will have to pay the extra tax when the second property is purchased, but can apply for a refund provided the first property is sold within 36 months of the purchase of the second one.

### Interest Relief Restriction from April 2017

Highly geared residential landlords with gross rental income in excess of the standard rate tax limit face much higher tax liabilities under the new interest relief rules to be phased in between 6 April 2017 and 6 April 2019.

Some landlords are therefore considering transferring their portfolios into limited companies in order to reduce their future tax liabilities, but this can be quite difficult and costly in tax terms to achieve.



Depending on their precise personal circumstances, it may be possible for larger landlords to avoid some or all of the tax costs, but the law is very complicated in this area and will require expert advice, which we can obtain on your behalf in appropriate circumstances. Re-mortgaging will be required and this can also create practical difficulties, although a number of large lenders are keen to assist in these situations.