



## Newsletter



[www.dovecotfm.co.uk](http://www.dovecotfm.co.uk)

## October 2015

THE RIGHT ADVICE FOR YOUR BUSINESS

IN THIS ISSUE

# Don't miss out on Small Business Saturday!

The UK's most successful small business campaign, Small Business Saturday, has been launched and this year it will be on Saturday 5th December.

In 2014, approximately 16.5 million adults supported at least one small business on Small Business Saturday, with almost two-thirds (64 per cent) of the British people aware of the campaign.

The organisers say...

We want all kinds of small businesses to get involved, so know that whether you are a family business, local shop, online business, wholesaler, business service or small manufacturer, Small Business Saturday is supporting you!

Small Business Saturday UK is a grassroots, non-commercial campaign, which highlights small business success and encourages consumers to 'shop local' and support small businesses in their communities. The day itself takes place on the first shopping Saturday in December each year, but the campaign aims to have a lasting impact on small businesses. In 2015 Small Business Saturday will take place on *Saturday, December 5th*.

Sign up and get involved <https://smallbusinesssaturdayuk.com/>

# Are you paying enough?



## FAST FACTS

# October 2015

The new National Minimum Wages Rates come into force

# April 2016

The Living Wages will come into force at £7.20 per hour

## FOR MORE INFORMATION

Contact Dovecote Financial Management

[www.dovecotefm.co.uk](http://www.dovecotefm.co.uk)

From the 1st October 2015 the new National Minimum Wages (NMW) will come into force

Year	21 and over	18 to 20	Under 18	Apprentice*
2015 (from 1 October)	£6.70	£5.30	£3.87	£3.30
<b>2014 (current rate)</b>	<b>£6.50</b>	<b>£5.13</b>	<b>£3.79</b>	<b>£2.73</b>

with a further increase in April 2016 for over 25's to £7.20 per hour. The April 2016 wage will be called the National Living Wage.

Penalties for non compliance are already harsh and they are getting tougher...

These include doubling penalties for non-payment, and disqualifying those responsible from holding company directorships for up to 15 years.

The government also announced plans to double the enforcement budget for non-payment and to set up a new team in HMRC to pursue criminal prosecutions for employers who deliberately do not pay workers the wage they are due.

Penalties for non-payment will be doubled, from 100% of arrears owed to 200%, although these will be halved if paid within 14 days. The maximum penalty will remain £20,000 per worker.

# Time for a Dividend



When you take dividends has never been more critical due to changes in the Summer Budget 2015, so if you have distributable reserves you might want to take more dividends this tax year.

## Dividend tax rates before April 2016

Tax band	Effective dividend tax rate
Basic rate (20%) (and non-taxpayers)	0%
Higher rate (40%)	25%
Additional rate (45%)	30.56%

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This will change from April 2016; see the table below

## Dividend tax rates after April 2016

Tax band	Effective dividend tax rate
Tax Free £5,000	0%
Basic Rate Tax Payers (20%)	7.5%
Higher Rate Tax Payers (40%)	32.5%
Additional Rate Tax Payers (45%)	38.1%

The new rules are easier to follow; the 10% tax credit in the current rules is hard for most people to follow.

There is a Dividend Allowance factsheet <https://www.gov.uk/government/publications/dividend-allowance-factsheet/dividend-allowance-factsheet> which helps to explain how dividend tax will be calculated.

But be warned!

While these rates remain below the main rates of income tax, those who receive significant dividend income (typically more than £140,000) or those who take a minimal salary topped up with dividends from their closed company **will pay more**.

So far we don't know how much more!

# Buy to Let Interest Relief - Is it time you set up a company?



Currently this is just a 'Policy Paper' but the plan is to restrict higher-rate taxpayers from claiming the full mortgage interest as a cost against their property investment income. For those individuals it will work as follows:

2017/18 75% of the interest can be claimed in full and 25% will get relief at 20%

2018/19 50% of the interest can be claimed in full and 50% will get relief at 20%

2019/20 25% of the interest can be claimed in full and 75% will get relief at 20%

2020/21 100% will get only 20% relief

For a 20% tax payer that's fine but for higher rate taxpayer it's a disaster that will lead to them paying a lot more tax

***These rules will not apply to Companies, which will continue to claim full relief.***

The current rate of Corporation Tax is 20% but it's falling year on year and by 2020 it will be 18%.

Not only that, but unlike the case in previous years the corporation tax rate is no longer affected by owning associated companies, so there is no problem with owning multiple companies – perhaps one to handle your normal business and one (or more) for holding rental.

Individual tax rates are

Basic rate	20%	Up to £31,785
Higher rate	40%	£31,786 to £150,000
Additional rate	45%	Over £150,001

There are other potential advantages too relating to SDLT, Capital Gains and Inheritance Tax.

Ask us for more details.

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