RNS

The Little Blue Book

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- News
- Information
- Our Business
- Your Business

Chartered Accountants
Independent Financial Advisers

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Welcome

Our latest Little Blue Book follows a difficult time for our close knit team at RNS Chartered Accountants.

It's the first edition since the loss of our trusted, popular and highly respected friend and colleague Bob Marris.

The fitting tribute given by partner John Heeney at his funeral is published in full, starting on page three.
Our thoughts remain with his wife Hilary, their family and friends.

The loss of someone like Bob puts things into perspective but he would want us to look to the future, building on his work. That's the best tribute we can pay.

This edition also includes changes to dividend payments, holiday pay and pensions.

The partner under the spotlight is Rebecca Abbott, who's appearing in a popular BBC programme, while we're also pleased to feature another client success story, this time on Grimsby docks.

Whether you are an existing client or new to RNS, please don't hesitate to get in touch should there be an issue you feel we can help you with.

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Memories of Bob Marris

2nd May 1953 – 12th August 2015

Many will know we lost our great colleague and friend Bob Marris recently. Everyone at RNS is deeply saddened, and like all of Bob's loved ones, we are still coming to terms with this great loss.

At Bob's recent funeral, one of our partners, John Heeney, said a few words on behalf of us all about Bob and his working life.

Whilst it is difficult to put into words the enormously positive influence Bob had on our practice, we felt John's words had captured the essence of Bob well, and with the very kind approval of Bob's wife Hilary, we reproduce them.

"On behalf of the partners, the staff and the clients of RNS Chartered Accountants, past and present, I'd like to say a few words about "Bob the Accountant".

Bob started work at the Gainsborough office of RN Store & Co, as we were called then, in February 1978. He studied hard and he became a fully, qualified Chartered Accountant in November 1982, he went on to become a partner, in May 1994 and headed up our Financial Services business from 2002 onwards, passing more exams and gaining more qualifications along the way.

Now, I've skipped through Bob's work history very quickly there and that's deliberate, because, whilst Bob was fantastic at solving tax problems, incredibly knowledgeable about tax legislation and gave honest and sensible financial advice to all his clients, it isn't any of these things we truly remember at work.

We remember, and so very dearly miss, that cheeky smile that brightened your day, that caring word that let you know he was thinking about you and that contagious, rude and sometimes quite dirty laugh he had, that was so very easy to set off and a joy to hear.

In preparation for today, I asked the staff if they had any memories of Bob, they felt they'd like to share.

Whilst all the staff had different stories to tell of Bob, there were many common themes and subjects, and I'd like to say just a little bit, about a couple of them.

I'll start with my own little story about Bob, and this goes back to the very first time I met him, back in April 2000. I was having my second interview for a job at RNS, with Peter Stapleton. The interview had gone quite well and was coming to an end, when Peter said he was going to ask the other partners to come in and meet me and say hello.

I thought this was probably a good sign and in came Ian, Rebecca and Bob. My CV was passed around the office and I answered a few more questions and generally chatted.

Again, I thought this was looking pretty good for me and then Bob held up my CV and said very seriously: "I do have one major concern, with something on your CV John."

I was a little taken aback, as I thought my CV was pretty good. Bob continued very seriously: "Yes, it says here, you're a Grimsby Town supporter. Well, we don't need any more of that sort of thing in the office I'm afraid!"

He then cracked that wonderful warm smile he had, and I just knew that this was someone who was on my wavelength, who I could work with and have some fun with.

Several of the staff mentioned football, and as I'm sure you know, Bob was a big Scunthorpe United fan and Monday and Wednesday mornings in the office were always dominated by the "Bob Marris Football Management Masterclass".

If the Iron had won, Bob was on top of the world and the manager had just about got it right but a defeat, and well, the manager's got it all wrong, we need some new players, sack the manager, sack the board etc. I'm sure you get the picture. There was no middle ground with Bob and football, it was either ecstasy or agony.

Another subject that several staff members recalled, was Bob's general need to know what was going on.

He loved to be in the know, about all the office comings and goings, and any office gossip doing the rounds.

He wanted to know what you were working on, and "why hadn't you finished it yet?" and what were you doing next.

It was funny though, how Bob's interest would sometimes touch your own personal welfare and I have received several comments from staff about how Bob gave them an encouraging word or a hug. That was from the ladies you'll be pleased to know when he'd heard they were having problems or issues outside of the office. Bob really did care about us all.

I very briefly mentioned earlier Bob's detailed knowledge of taxation and financial matters generally.

He was also tremendously generous with his time, sharing this knowledge with us all. We didn't need the latest tax text books, we didn't need Google, because we had Bob.

If you didn't understand a particular tax matter, Bob would always be very happy to take time, sit down with you and explain it in very simple terms and he would often hand write, with one of his famous blue pens, a worked example for you to follow.

Our files at work are full of these beautiful, hand-written blue workings and when flicking through a file and you come across one, as I did just the other day, you remember the time you sat with Bob and he wrote that down for you.

It probably wouldn't be right, if we didn't mention Bob's driving. Let's just say he liked to get around quite quickly.

His need for speed meant that he was given many nicknames over the years - Concorde was one, The Stig was another.

I had several high speed, adrenalin fuelled, thrill rides as a passenger with Bob, as we appeared to fly along the roads of North Lincolnshire on our way to and from clients.

To finish then, we all terribly miss Bob at work. There's a gaping hole in our offices and in our hearts at the moment.

We all miss "Bob the Accountant", with his great knowledge, sound advice and steadying hand but we really and truly miss, Bob the Man, our friend and colleague, and the fun, laughter and pure joy, that he brought to our working days."

Tax efficient extraction of profits

In his Summer 2015 Budget, the Chancellor announced far-reaching reforms to the way in which dividends are taxed.

If you are the director of a personal or family company and extract profits in the form of dividends, this will affect you.

Under the rules as they currently stand, in most circumstances, withdrawing profits as dividends, rather than a salary, has a number of advantages:

- no National Insurance contributions are payable on dividends; and
- the availability of the 10 per cent tax credit attaching to dividends means that there is no further tax to pay until total income reaches the threshold at which higher rate tax becomes payable (£42,385 for 2015/16). Thereafter, the effective rate of tax on the net dividend is 25% for a higher rate taxpayer and 30.6% for an additional rate taxpayer.

What is changing?

From 6th April, 2016, the 10% tax credit on dividends is being abolished.

To compensate for this loss of tax credit, a new tax-free allowance of £5,000 will be available for dividends.

Once this allowance has been used up, dividend income will be taxed at the appropriate dividend tax rate, which will be 7.5% for a basic rate taxpayer, 32.5% for a higher rate taxpayer and 38.1% for an additional rate taxpayer.

This means that anyone whose dividends are taxed at the basic rate and who, once the personal allowance has been used up, has dividend income of more than £5,000 a year will pay more tax on their dividends from April.
It will no longer be possible to pay a small salary (covered by the personal allowance) and to then pay dividends until the higher rate threshold is reached without having to pay any further tax on those dividends.

It is advisable to speak to your RNS contact as to how these changes will affect you and to discuss your optimal profit extraction strategy going forward as everybody's circumstances are different.

Although the new dividend rules do not come into force until 2016/17, it is also advisable to review your dividend extraction strategy for 2015/16 as it may be beneficial to accelerate dividend payments to before 6th April, 2016, to take advantage of the more favourable dividend tax rates applying before that date.

We realise these are major changes to the tax system that we are discussing with our clients.

Is a limited company still the best option?

You may also wish to consider whether operating through a limited company remains the best option for you.

Everybody's circumstances are different, therefore it is important that you discuss yours with your RNS contact prior to making any decision.

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Pension Changes

The volume of change in pensions over the last few years has been unprecedented. With most of the new regulations now in force it is useful to take stock of some of the key points.

Pension tax-relief

Individuals are able to make tax-relieved pension savings to registered pension schemes. The contributors can be personal ones, or through a sponsoring company, which may be your employer or your personal limited company. However, contributions only attract tax relief to the extent that they do not exceed the annual allowance.

The allowance can be carried forward for up to three years if it is not used up. The allowance is £40,000 for 2015/16 and was set at £40,000 for 2014/15 and at £50,000 for 2013/14.

Planning points

Your personal contributions to a pension normally qualify for income tax relief at your marginal highest rate(s). Pension contributions reduce your taxable income, so can help you to avoid the phasing out of the personal allowance, which starts at £100,000 of income, resulting in an effective tax rate of up to 60%. Contributions can also help you to sidestep that additional rate tax band, which starts at £150,000 of taxable income, or the high income child benefit tax charge, which affects those with income over £50,000.

Example

Ester has income of £112,000 for tax year 2013/14. Her personal allowance is reduced by £1 for every £2 of income over £100,000, meaning she loses £6,000 from her personal allowance. As a higher-rate (40%) tax payer she pays £2,400 on this extra income. If she makes pension contribution of £12,000 including the tax relief, this reduces her relevant income and she recovers her full allowance. In addition, she gets full 40% tax relief on the contribution, amounting to £4,800. This means that the £12,000 contribution actually only costs her £4,800 (£12,000 minus £2,400 minus £4,800). This is equivalent to tax relief of 60%.

Reduced lifetime allowance

The maximum amount of tax-relieved pension savings that a person can build up over a lifetime is capped by the lifetime allowance. This is to be reduced from the current level of £1.25 million to £1 million from 6 April 2016. If your pension benefits are approaching this limit, speak to us about protecting the benefits you have built up from tax charges.

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Partner profile

Name: Rebecca Abbott **Title:** Partner

Specialism: I have been with RNS since 1987 and am both a Chartered Accountant and Chartered Tax adviser. I am very lucky to have a wonderful mixed portfolio of clients. My specialism is VAT with a particular interest in property.

Interests out of work: Even though I am known as the 'part time' partner I spend my free time helping my husband, Steve in his renewable energy business and on our other property interests. When we get free time I like to play golf and take long dog walks with Barney (our cocker spaniel) Bella (our Golden retriever) and of course my husband Steve!. I also like listening to music, watching TV and play Spider on my IPad!

Favourite TV programme: As a topical one it has to be Escape to the Country (of course). Steve and I have just appeared on it, with a trip to Argyll and Bute, Scotland.

Favourite holiday destination: I will always have Safariing in Africa in my heart. However we will now be planning to spend a lot of time in Scotland with the dogs. Scotland is beautiful everywhere you look and can be like the Mediterranean or Canada, if and when the sun shines!

Favourite music: This is very difficult as I love all kinds of music. For my inner secret 1980's rock chick – I would choose Heart Album Bad Animals and particularly the track – Alone. And finally just for secret love – Anything by Michael Buble –what's not to like!

Favourite Food: Lasagne and lemon meringue pie – but not together!

Favourite book: It has to be a good detective story or a thriller. Anything by Clare Francis or Karin Slaughter for intrigue and of course anything by Peter Lovesey and his detective Peter Diamond.

Best thing about living in Brigg?: Brigg has everything on your door step within walking distance from clothes shops, supermarkets, pubs and restaurants. To me North Lincolnshire is a hidden gem for both property prices and mild weather.

Driving success

Partner at RNS Chartered Accountants Robert Smith (second from right) congratulates managing director of DD Fish Colette Sopp (third from right) outside the firm's new premises at Grimsby Seafood Village. They are watched by her staff who include (front, left to right) sales team leader Mick Dawes, general manager Kevin O'Meara and finance and administration supervisor Josephine Barber.

Help from an RNS partner has seen a fish home delivery company become the latest tenant at Grimsby Seafood Village.

Managing Director Colette Sopp bought DD Fish Supplies 21 years ago with her husband Christopher when it had one van selling fish three days a week.

Now, the company has 35 employees, with seven vans delivering five days a week. An eighth is being established, with three additional jobs being created in the next month.

For Colette, the move to its new base was a natural progression, combining a previously two-site operation.

"We had simply outgrown our previous premises," she said. "The Seafood Village offers a fantastic opportunity.

"We've been able to combine all our staff under one roof in a modern facility that looks really great.

"Everybody was on top of each other at the old premises. Here, it's calmer. The premises are finished to such a high standard."

Robert and Colette in the smart, new offices.

Vans from DD Fish deliver to homes across the country. Orders are generated by a team working in a call centre.

Support and advice about the move was provided by RNS partner Robert Smith.

"Rob has been at our side while we have grown and developed the business," said Colette.

"Sarah Foster from RNS does our accounts every month and sees how we are doing.

"Rob comes in to discuss everything and gives good, sound advice. We bounce ideas off each other and he helps me make decisions.

"We are very proud of what we've achieved. We are up and coming and we'd like to grow further. Being here gives us an opportunity to do just that."

Mr Smith congratulated Colette on the move. *"It's a very impressive business, even more so now with state-of-the-art premises,"* he said.

"I'm delighted for Colette and the team behind her. It's a really well run business and I'm pleased they're happy with the service we provide and the small role we have played.

"Its success though, is down to her drive and ambition."

For more information, go to www.ddfish.co.uk or call 01472 502679.

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Holiday pay

Changes to calculating holiday pay may catch out some local businesses, a partner at RNS Chartered Accountants has warned. Karen Lyth said it follows a number of recent court judgements.

"In addition to current legislation, employers now have to take payments for workers' regular, voluntary overtime into account when calculating their holiday pay following an Employment Appeal Tribunal decision involving Bear Scotland Ltd," Karen said.

So what should employers do now?

"You should include non-guaranteed overtime in the calculation of holiday pay, at least for the first 4 weeks of an employee's holiday entitlement, and amend holiday policies to reflect this."

What are the key points of calculating holiday pay:

- Guaranteed overtime (where the employer is obliged by the contract to offer and pay for agreed overtime) and normal non-guaranteed overtime (where there is no obligation by the employer to offer overtime but if they do then the worker is obliged by the contract to work overtime) should be considered when calculating a worker's statutory holiday pay entitlement. There is currently no definitive case law that suggests voluntary overtime needs to be taken into account. Voluntary overtime is overtime that an employee does not have to work if it is offered.
- Commission should be factored into statutory holiday pay calculations.
- Work-related travel may need to be factored into statutory holiday pay calculations.
- A worker's entitlement to holiday pay will continue to accrue during sick leave.
- There are different rules for calculating holiday pay depending on the working patterns involved.
- Calculating holiday pay for different working patterns - Regardless of the working pattern, a worker should still receive holiday pay based on a 'week's normal remuneration'. This usually means their weekly wage but may include allowances or similar payments, such as commission.
- For workers with fixed working hours - If a worker's working hours do not vary, holiday pay would be a week's normal remuneration.
- For workers with no normal working hours - If a worker has no normal working hours then their holiday pay would still be a week's normal remuneration but the week's pay is usually calculated by working out the average pay received over the previous 12 weeks in which they were paid.
- For shift workers - If a worker works shifts then a week's holiday pay is usually calculated by working out the average number of hours worked in the previous 12 weeks at their average hourly rate.

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Staff news

Congratulations to Cheryl Waites and Sarah Dennie who have passed their latest AAT exams to become part qualified chartered accountants.

Cheryl was, in fact, the top scorer in the Humber region for business planning taxation.

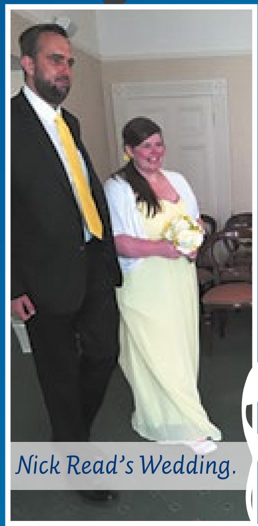
They both have two exams left and are aiming to be fully qualified by next summer.

In other exam news, Jayne Wright has passed her inheritance tax and trust qualification as part of her ATT studies. She has papers remaining in law and ethics, as well as the continuation of her IFA exams.

And Somer Moss has completed her level 3 AAT .
In baby news, best wishes to Joanne Northing who has had a boy, Evan, and Kaman Hye who has had a girl, Jasmine.

And congratulations too, to Nick Read, a manager at our Brigg Office, who married his partner Sarah at Gainsborough Register Office over the summer.

Partner Jenny Camm (right) congratulates Sarah (left) and Cheryl on their latest exam successes.



Nick Read's Wedding.

Choosing the right investment

There are many different options you can use for Financial planning, and each has its own benefits and drawbacks.

- Pensions have some very valuable tax advantages. If you are a 40% or 45% taxpayer now, the tax relief on pension contributions is particularly attractive. But in return for these privileges, there are some restrictions. For example, you cannot access your money until you reach age 55.
- Individual savings accounts (ISAs) are invested in funds with the same tax-free characteristics that pensions enjoy. And unlike pensions, the whole of the proceeds are free of both income tax and capital gains tax. What's more you can cash them when you want. But the contributions do not qualify for tax relief, and unlike pensions there is a potential inheritance tax liability on ISAs if you die before you retire.
- Venture capital trusts (VCTs) and the Enterprise Investment Scheme (EIS) qualify for significant tax reliefs, but are generally considered high-risk and not suitable for most investors.
- Property investment appeals to many people because they feel it is relatively secure and can produce good returns. It is also possible to borrow for buy to let property and get tax relief on the interest, which can greatly increase returns, although with greater risk. However, the rental income and capital gains are both taxable, and it may be difficult to sell property quickly.

For most people, a combination of different investments will meet their needs, and we are happy to review and assist with all areas of savings and long term retirement planning.

Death benefit tax reduced

The rules on pension money passed on after death have improved dramatically.

In the event of death before age 75 money remaining in a pension is now passed to the chosen beneficiaries free from any income tax and free from any inheritance tax.

In the event of death after age 75 money can still be passed to beneficiaries free from inheritance tax.

Money left in a pension is therefore considerably more tax advantaged than other money in the estate.

We would recommend anyone who is potentially subject to inheritance tax to take advice and consider how best to deal with their pension savings.

As well as the spouse, who is an automatic beneficiary, it is also now possible to nominate other beneficiaries to receive pension death benefits. Family, children, grandchildren, and friends can all now benefit. If you want to nominate other beneficiaries we recommend contacting us or your pension scheme with an expression of your wishes.

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Double celebration

Partner Jenny Camm has had cause for a double celebration - in and out of work.

She has become a Fellow of the Institute of Chartered Accountants in England and Wales (ICAEW) and also completed the Great North Run.

The FCA designation is recognised by peers within the accountancy, business and finance profession as the highest status of ICAEW membership.

But while work plays a big part in Jenny's life, she has plenty of outside interests, including running.

She took part in the 13-mile Great North Run for the first time in September, completing it in a time of 2 hours 30 minutes 37 seconds.

"It was a most wonderful atmosphere and a privilege to be part of such an enormous event," Jenny said.

"It was hard work – particularly the run up hill at the end of the race - but you're taken along by the enthusiasm of the crowds in Newcastle and Gateshead."

She raised money for Ovarian Cancer Action in memory of her mum, Margaret.

As for her new professional status, she said: "I'm proud to have become a Fellow of the ICAEW because its recognition from our professional body that I have a high level of experience, expertise and knowledge.

"I've always enjoyed working for RNS and it's a great career. The firm has been committed to me. It's progressive in the way it manages its staff and also the customer-focused service it gives to clients."

Scunthorpe-born Jenny has lived in the town all her life apart from her time at university.

She began working for RNS at its Oswald Road office in 2001 after graduating from the University of Sheffield.

Jenny qualified as a chartered accountant in 2004 through the firm's graduate trainee programme. She became an associate partner in 2010 and an equity partner two years later.

Jenny supports Scunthorpe United and is also treasurer of Heslam Park on Ashby Road, the home of Scunthorpe Rugby Club.

A keen traveller, she went to Priory Lane Infant and Junior Schools, Thomas Sumpter Comprehensive School (now Melior Community Academy) and John Leggott College. Her father, Brian Camm, lives in Old Brumby.

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Property

Buying property has never been so popular – but landlords have been advised about changes that could impact on their investment.

RNS partner Rebecca Abbott said questions are asked on a weekly basis following HMRC's changes.

She has summarised what can and cannot be claimed for against property income.

Relief for repairs is still available for furnished, part-furnished and unfurnished properties.

Replacing or repairing integral items to the property, such as integrated fridges, freezers, dishwashers, cookers and hobs are allowable deductions.

However, items replaced or repaired which are not part of the entirety of the property, such as free-standing fridges and freezers or carpets, will not be allowable.

Prior to 6th April, 2013, the landlord of a furnished property had a choice when they came to replace items in a rented property. They could claim either the renewals basis or the wear and tear allowance.

The landlord of an unfurnished or partly furnished rental property could only claim the renewals basis.

From April 2013, the extra-statutory concession for the renewals allowance has been withdrawn. This allowed for the replacement of most items used in furnished and unfurnished properties.

Relief for renewals is now limited to items that are of a relatively low value and have a short economic life, for example, rugs, crockery, toasters, glassware and soft furnishings.

These items will need replacing nearly every year or so due to wear and tear. Any items that are of a higher value and do not need replacing as regularly, for example carpets and curtains, would be regarded as capital items, and so there is no allowance for their replacement.

Relief for the 10% wear and tear allowance is still available for fully furnished properties.

Other pending changes to property taxation:

1. From April, 2016, the increase in rent a room relief from £4,250 to £7,500 per annum
2. From April, 2016, the Government plan to replace the Wear and Tear Allowance with a new relief that allows all residential landlords to deduct the actual cost of replacing furnishings. Capital allowances will continue to apply for landlords of furnished holiday lets.
3. From April, 2017, the restriction of loan interest relief for 'buy to let' landlords will begin to be phased in (see later newsletter editions for specific detail).

Overview of other allowable costs against property income

- Letting agent fees
- Mortgage interest
- Repairs to integral items within the property
- Accountancy fees relating to rental accounts
- Mileage to and from property
- Advertising
- Fees for loan finance
- Services paid for on behalf of tenants (e.g. council tax and utilities)
- Gardening, window cleaners, cleaners and security costs

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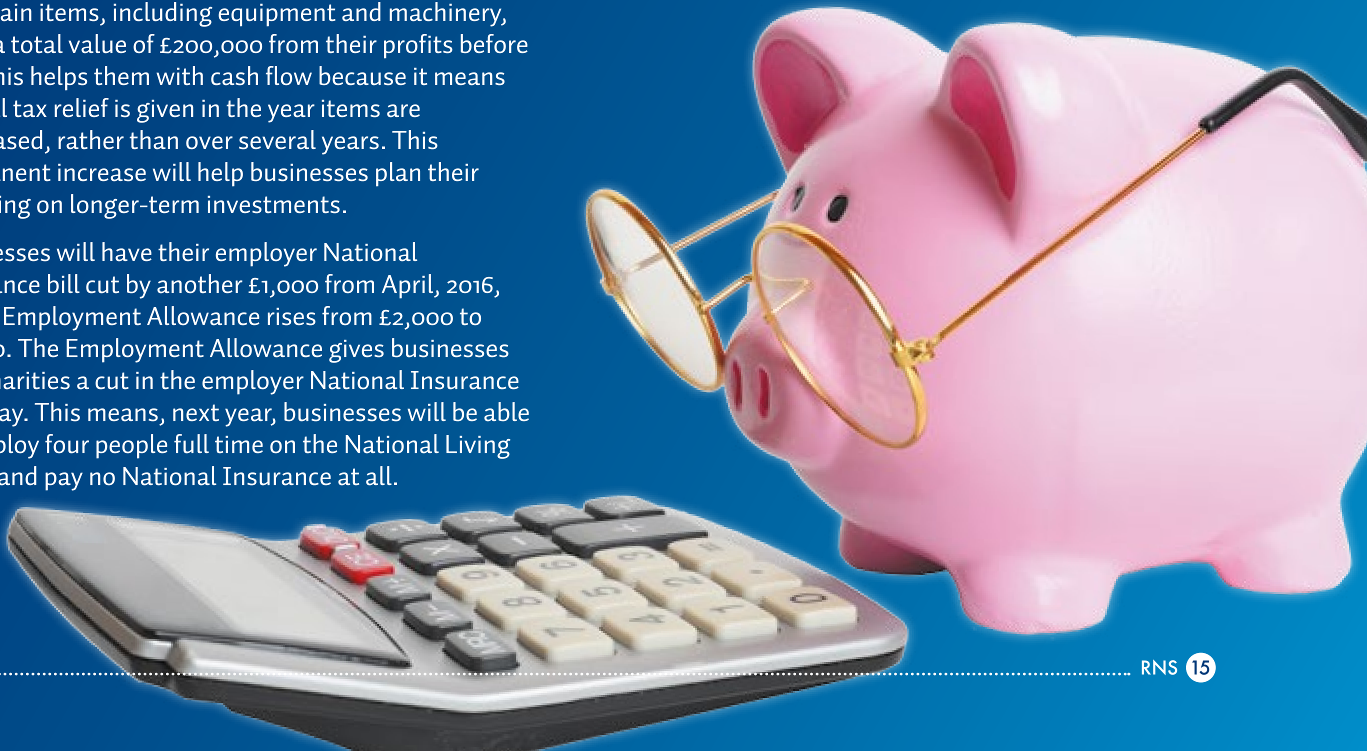
Budget briefing

This is the first newsletter since the Chancellor's July Budget.

Changes to dividends, pensions and inheritance tax have been looked at in more detail elsewhere but other items of interest included:

- The amount people will have to earn before they pay tax at 40% will increase from £42,385 in 2015-16 to £43,000 in 2016-17.
- The main rate of Corporation Tax has already been cut from 28% in 2010 to 20%, in order to boost UK competitiveness. It will now fall further, from 20% to 19% in 2017, and then to 18% in 2020, benefiting over a million businesses.
- The annual investment allowance, which has previously been increased temporarily, will be set permanently at £200,000 from January 2016. The allowance means businesses can deduct the full value of certain items, including equipment and machinery, up to a total value of £200,000 from their profits before tax. This helps them with cash flow because it means the full tax relief is given in the year items are purchased, rather than over several years. This permanent increase will help businesses plan their spending on longer-term investments.
- Businesses will have their employer National Insurance bill cut by another £1,000 from April, 2016, as the Employment Allowance rises from £2,000 to £3,000. The Employment Allowance gives businesses and charities a cut in the employer National Insurance they pay. This means, next year, businesses will be able to employ four people full time on the National Living Wage and pay no National Insurance at all.
- Mortgage interest relief for landlords will be reduced. The tax perk allows landlords to put the cost of the interest on a buy-to-let mortgage on their self-assessment forms, offsetting the income they receive in rent from tenants. The system of mortgage interest relief will be retained but restricted to the basic rate of tax. Higher-rate relief will start to be withdrawn over four years, starting in 2017.

If you have any questions about this or any other aspects of the Budget, please do not hesitate to call your contact at RNS. Our emails and telephone numbers are overleaf.



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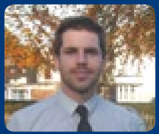

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Income tax rates and bands 2015/16	£ a year
Basic rate - 20% [1]	0 - 31,785
Higher rate - 40%	31,786-150,000
Additional rate - 45%	Over 150,000

[1] There is a 10% starting rate for savings income only. The starting rate limit is £5,000 for 2015/16. If an individual's taxable non-savings income exceeds the starting rate limit, then the 10% rate for savings is not available.
The tax rates for dividends are 10% basic rate, 32.5% higher rate and 37.5% additional rate.

Income tax allowances 2015/16	£ a year
Personal allowance	10,600
Personal allowance (age 66-75)	10,600
Personal allowance (age 76 and over)	10,660
Income limit for personal allowance	100,000
Income limit for age-related allowances	27,700

National insurance rates 2015/16	
Lower earnings limit	£112 a week
Primary threshold	£155 a week
Secondary threshold	£156 a week
Upper earnings limit	£815 a week
Employees rate on earnings between £155 & £815 per week	12%
Employees rate on earnings over £815 per week	2%
Employers' rate on earnings above £156 per week	13.8%
Upper profits limit	£42,385 a year
Lower profits limit	£8,060
Class 4 self-employed rate on profits between £8,060 and £42,385	9%
Class 4 self-employed rate on profits over £42,385	2%
Class 2 self-employed national insurance	£2.80 per week

We help and advise businesses every day. Give us a call for a completely free, no obligation meeting.

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