

RNS

The Little Blue Book

Issue 43 | Spring 2019

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Chartered Accountants
Independent Financial Advisers

www.rnsca.co.uk
www.rns-ifa.co.uk

Welcome

to the Spring, 2019, edition of our Little Blue Book.

In these uncertain times, one thing that does not change is our efforts to provide you, our clients, with the best possible service.

Our commitment resonates through this newsletter, highlighted by continued investment in our biggest asset, our staff.

You will read about additional qualifications and a presentation to one of our newly-qualified chartered accountants.

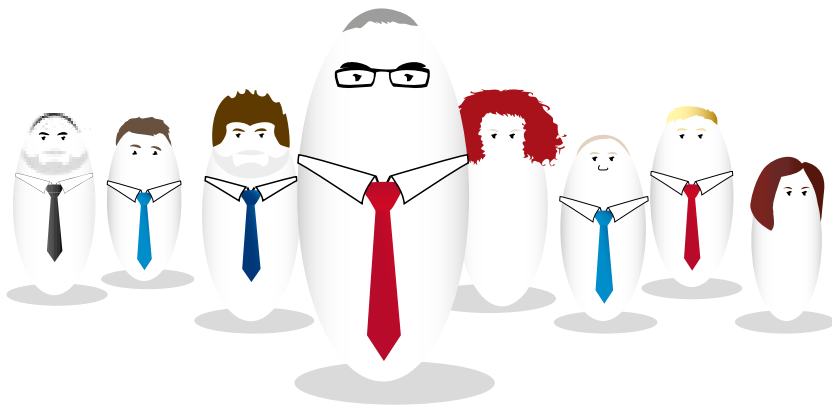
I am proud our training and commitment to our staff has been recognised by being named Employer of the Year by service provider CERT. I thank it for its support.

Talking of commitment, our profile features long-serving employee Mike Llewellyn.

First class advice has helped a North Lincolnshire nursery to expand while, among other articles, we reflect on changes in VAT, highlight the work of our Independent Financial Advisers and warn landlords about a HMRC clampdown.

I hope you enjoy reading the newsletter. Please feedback any comments through your partner here or email action@rnscs.co.uk

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Property income

Undeclared property income continues to be a target for the taxman.

HMRC has been pursuing thousands more landlords as part of a drive to catch out those investors not declaring what they should be.

The number of landlords found to have underpaid or underdeclared tax on letting income rose by 51% during 2018 to 8,704, according to a Freedom of Information request submitted by the Daily Telegraph.

The newspaper says data from HMRC also shows the amount of income tax clawed back from landlords rose 67% last year to £32.8-million, while the value of fines more than doubled to £5.6-million.

RNS Chartered Accountants' partner Robert Smith said it was part of HMRC's 'Let Property' campaign, launched in 2013.

"We have highlighted this previously," he said. "Originally, it was thought it would run 18 months but we now understand it has been extended indefinitely.

"A lot of landlords, up and down the country, have been caught out. Those who make honest mistakes are being punished alongside deliberate tax evaders."



He said new powerful software, called Connect, has been introduced to spot likely examples of underpaid tax, looking at data from Government databases and other sources.

"If HMRC catches landlords who have not paid the right amount, it can reclaim up to 20 years' worth of back payments.

"It can also fine the landlord up to 100% of the value of the unpaid tax and bring criminal charges."

HMRC is writing to landlords it thinks may owe money, offering them "the chance to bring their tax affairs up-to-date" by taking part in the Let Property campaign.

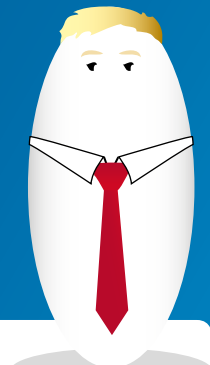
Those landlords making honest mistakes on the tax front and admitting them, will see HMRC limit the years they reclaim tax to six and will charge smaller fines.

"Once you tell HMRC about undisclosed income, you have 90 days to pay the amount due, as well as any interest and penalties," said Robert.

"Obviously, in some cases, this has amounted to rather large sums of money.

"Tax can be complicated and confusing. Our advice to those landlords who have received the letter from HMRC, or think they may not have paid the right tax, is to give us a call.

"Your partner and team here will work with you and help smooth any issues there might be with HMRC."



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IFA special



Two members of staff have seen their investment pay off – by becoming qualified independent financial advisers.

Alex Douglas and Jayne Mumby were successful in final exams to pass their Diploma in Regulated Planning Services, the benchmark qualification for advising on retail investment products. They have been studying for it over the past three years.

Jayne is also an AAT qualified accountant.

RNS partner Alex is one of three qualified chartered accountants in the practise who is also a qualified independent financial adviser. Their detailed knowledge of taxation and investments ensures better advice can be given.

He said: “I’m delighted to have passed the diploma because helping people with their financial planning is something I enjoy.

“However, I will still continue with my accountancy clients. It is another string to my bow.

“It adds to the capacity of the RNS Independent Financial Advisers’ team. Our services have become more and more popular over recent years.

“Clients like the fact they are dealing with somebody local who they may have known over a number of years.

“We are not some faceless individual on a telephone line or in a web chat.

“Financial planning can involve big decisions in somebody’s life. We might be looking at investments or it could be advice about pensions or succession planning.

“Either way, it can make an enormous difference to the individual and their family or business and that’s where the trust built with clients on the accountancy side can help on the IFA front too.”



Jayne was also delighted to have passed the exams.

“It’s been hard work at times but worth all the effort,” she said.

“It is important clients know that we have the necessary qualifications to give them sound and proper advice when it comes to investments and pensions.

“It’s an uncertain world. But one thing that does not change is the level of service clients can expect from RNS IFA.”

Other members of the IFA team to have already qualified with the diploma are Andrew Clayton and Catherine Snell.

The newest member of the team, Aidan Boucher, is studying for his.

Senior partner John Heeney congratulated Alex and Jayne on their success.

“Clients can have the utmost confidence when speaking to the IFA team,” he said.

“The exam success has given it the extra capacity needed, with more accountancy clients also using our expertise on the financial planning side.”

Meet the financial advisers



About us

RNS Independent Financial Advisers is authorised and regulated by the Financial Conduct Authority. Our advisers will review retail investment products and solutions from the whole market to ensure that your financial objectives are appropriately fulfilled. We offer advice on many different products to suit the investor's personal risk profile ranging from capital protected funds to higher risk investments.

We encourage prospective clients to arrange a free initial consultation at our offices in Scunthorpe, Brigg and Barton or at your home or place of business.

Our services

As financial advisers we provide individuals and businesses with advice on practical and relevant solutions to help them to meet their financial objectives.

Some of the key areas we advise on are:

Savings and investments

From childhood most of us are told to put away money to save for the future – perhaps for something special; or perhaps to be sure that when we really need something we have the funds to acquire it, without taking on debt.

Whether we place your money in a piggy bank, or in a multinational investment house, our aims are broadly the same; to provide for our future needs, and to protect ourselves against unexpected causes of expenditure.

When planning your finances, it is important to distinguish between savings and investments. Savings are generally funds that you set aside, but can be accessed relatively quickly. These savings are often for a specific need or

purchase, like a holiday or a new car.

The most common way of 'saving' is into a bank account ('deposit' account) where the money can be accessed in an emergency, and for every £1 you put in, you will get £1 back and possibly some interest.

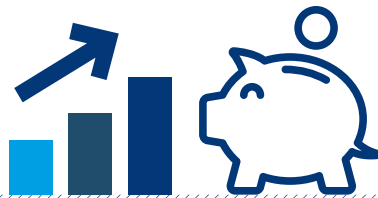
'Investments' are another way of saving, usually for the medium and longer term, perhaps for five years or more. Recommending and setting up these longer term investments is one of the main services we provide for our clients.

You need to be comfortable with tying up this money for a period of time, and should not consider investments unless you have some savings in place.

Most investments are not guaranteed to return your money in full, although do offer the prospect of potentially higher returns than deposit accounts. Returns, risk and volatility are the factors that will determine a suitable place for your savings.



More areas we advise on



More key areas we advise on are:

Pensions

Pensions are, of course, designed to enable you to save sufficient money during your working life to provide an income stream for you to live comfortably after you have retired.

There are many different 'tools' used to save for retirement and the taxation and investment elements of pensions can appear baffling.

But they are well worth understanding because of all savings, pensions are usually the most tax advantaged. This is especially true for most business owners and for higher rate tax payers.

We can guide you through the complexities and advise on all types of personal and company pension contributions and on all of the ways to draw down money from your pension when you are ready to retire.

Protection

Financial products are sometimes at their most useful when they are protecting our families, our incomes or our property.

Whilst insuring ourselves against an undesirable event such as sickness or even death may not be a pleasant thing to think about, the benefit of being able to set financial issues aside at emotionally difficult times cannot be overlooked.

There are various ways in which a family can protect itself, and because of the large range of products available there is usually an appropriate policy for most circumstances, and most budgets.

We can help with different ways to protect your family and your standard of living when you need it most.



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Pension scams

Beware of pension scams

Pension freedom has enabled those approaching retirement to consider a much wider choice of alternative options as to how to employ the pension funds they have accumulated through their careers.

However, unfortunately, the introduction of such freedoms seems to have attracted the interest of undesirables and fraudsters.

A snapshot of the problem can be seen through the actions of the Insolvency Service.

It details on its website applications to court to wind up 24 companies over the last three years where there has been evidence of them carrying out some form of pension misuse.

The service indicates there have been 3,750 victims of these 24 companies alone, and that the misconduct has resulted in individuals and businesses losing more than £200-million.

Common tactics used by pension scammers are cold calls, the offer of free pension advice, lying about their level of expertise and qualifications, and the offer of considerable investment returns from the solutions they offer.

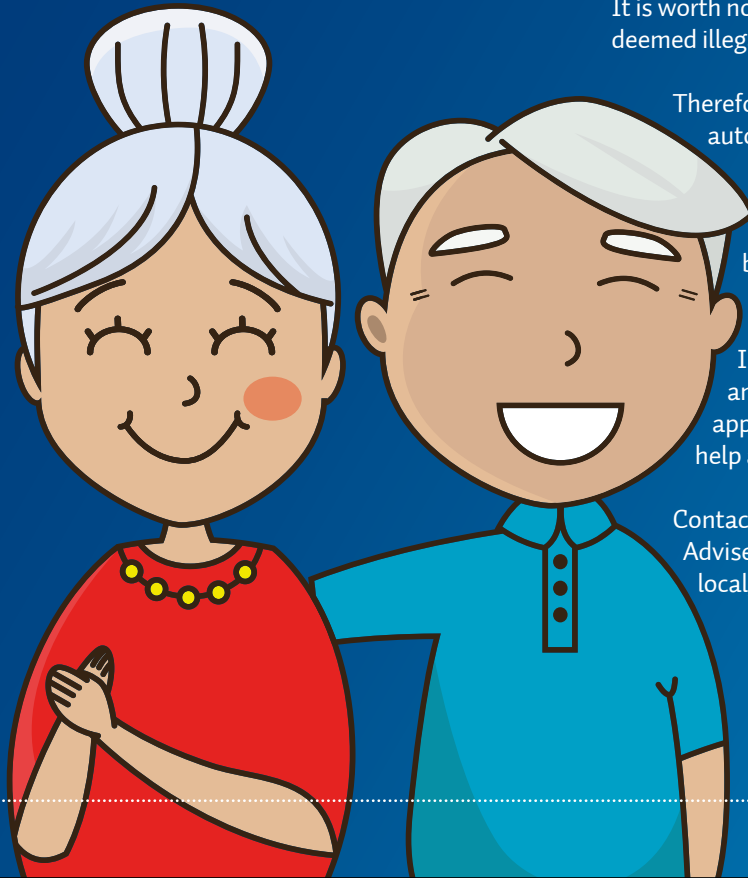
It is worth noting that cold calling related to pensions is now deemed illegal.

Therefore, anyone making such an approach can automatically be dismissed as unethical.

With individuals having taken 40 or more years of hard work to accumulate such pension benefits, it would seem right to take time to consider the options.

Individuals should always liaise with a known and trusted adviser, like RNS, to consider the appropriate options for their pension funds. This will help avoid scams and minimise risks.

Contact our team at RNS Independent Financial Advisers to be assured of trusted pension advice from local, qualified professionals.



Outstanding child care business expands



RNS partner Karen Lyth (left) helps Brigg nursery owner Michelle Drury with some of the children.

An 'outstanding' North Lincolnshire child care business has opened its third nursery with its owner gaining a nationwide reputation.

Michelle Drury is celebrating the expansion into Crowle after her settings in Brigg and Scunthorpe were given top ratings by Ofsted.

Supported by RNS partner Karen Lyth, the firm's growth into the Isle of Axholme has gone "really well".

Michelle, who lived in Brigg for most of her life but whose home is now Caistor, said: "It's been a different challenge as we bought a successful business from owners who wanted to retire.

"It's meant we have hit the ground running. The existing staff have been really on board to the changes we have brought in.

"I'd like to thank Karen for her support and advice. She helped with cashflow and looked into the viability of the nursery.

"Although I am not very academic, running a business and getting the best out of people is my strength.

"I therefore need others to support me with the financial side and this is where Karen comes into her own and is an important member of the team.

“I’d also like to thank my staff, who are my biggest investment. They are the ones who sell the business to parents and drive it forward. They are amazing.”

Michelle returned to North Lincolnshire through work in 2006, having been a Probation Officer in York. She and her husband Paul have five children between them, aged between seven and 24. It was her experience as a mum that helped with the decision to open a nursery.

“As a busy, full-time working mum I struggled to get high quality child care in Brigg.

“I had no experience in the business, I learned as I went along.

“The facility in Brigg – where we converted a bungalow – was the fourth property we had looked at and it opened in 2008.

“I always talk about creating a setting where I would be happy leaving my child.

“It was a steep learning curve. I went back to university to complete my Early Years’ teacher status.

“I then wanted to understand the sector further and became an Ofsted Early Years’ Inspector.

“I now see inspections from both sides, and the difficulties Early Years’ providers face on a regular basis.

“It seems we are expected to provide more and more, while receiving less and less, both in terms of support and finances.

“For this reason, I am passionate in helping others understand what is expected of them, and to raise standards in the childcare sector.”

Michelle opened the Scunthorpe nursery at St Peter and St Paul CofE Primary School in 2015.

A year later came the outstanding inspection at the Brigg nursery and that was followed with the same verdict at the Scunthorpe setting in 2016.

They trade under the I Learn Education Ltd brand, through which Michelle, a finalist in the Best Business Women Awards in 2017, also operates a consultancy business, helping struggling providers across the UK.

Karen, at RNS Chartered Accountants, congratulated Michelle on the opening of the Crowle nursery.

“It’s given me a great sense of pride to see Michelle’s business grow,” she said.

“She is a dynamic leader who has built a terrific team around her. They have bought into her demands around quality.

“Second best is not good enough and Michelle’s a great ambassador for North Lincolnshire.

“I wish her and her team all the best for the future.”

RNS Independent Financial Advisers provided advice to Michelle regarding pensions and life insurance.

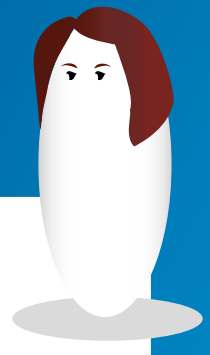


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Making Tax Digital is here

It has been a long time coming, but Making Tax Digital arrived this month.

VAT-registered businesses with a taxable turnover above the £85,000 VAT threshold are required to keep VAT records in a digital format and use Making Tax Digital compatible software to submit returns.

The new rules apply from a business's first VAT period that begins on or after 1st April.

From this date, you were no longer able to keep manual VAT records and, in most cases, spreadsheets are also not a suitable option.

1. Make sure you have compatible software

If you already use software you need to make sure that you are on the latest version and that the software you use is compatible to submit VAT returns under Making Tax Digital. You should contact your software provider in the first instance to confirm this.

Partner Karen Lyth said: "If you do not have any software in place yet then you need to act now.

"There are many software options to choose from. Please speak to us if you need advice on what may be suitable for your business. We can also assist you with bookkeeping services or software training.

"If you currently use spreadsheets to keep business records you'll need MTD-compatible software so that you can send HMRC your quarterly VAT returns and receive information back from HMRC."

You will not be able to submit your VAT Return if you do not have compatible software in place when you sign up for Making Tax Digital.

2. Sign up for Making Tax Digital

Once you have your software in place you will need to sign up with HMRC for Making Tax Digital. To do this you will need:

- your Government Gateway user ID and password
- the VAT number of the business that you are signing up

Businesses that pay VAT by Direct Debit cannot sign up in the 15 working days leading up to, or the five working days after sending a VAT return.

In other words, if your first VAT quarter under the new rules is 1st April to 30th June, 2019, and you submit your March, 2019, VAT return (last VAT return under the old rules) on the 7th May 2019, then your window for signing up will be between 15th May and 16th July (this assumes a 7th August submission date).

HMRC will send you a confirmation email within 72 hours of signing up. Do not submit a VAT return until you receive the confirmation email.

Karen said: "Once you have signed up you will no longer be able to use the existing service to submit your returns. "You will need to enable the MTD compatibility within your software and you must then send your VAT return directly from there."

3. What records do I need to keep digitally for MTD?

MTD does not require you to keep any additional records for VAT, but to record them digitally.

Your digital records should include, for each supply, the time of supply (tax point), the value of the supply (net excluding VAT) and the rate of VAT charged.

They should also include information about your business, including business name and principle business address as well as your VAT registration number and details of any VAT accounting schemes you use.

Businesses who currently record daily totals can continue to do so, but they have to be captured digitally.

If you require more information or require any assistance please contact us.



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Cert winner

Recognition of RNS Chartered Accountants' commitment to quality apprenticeships and training came in the form of a local award.

Provider CERT announced the firm as winner of its Employer of the Year award at its Celebration of Learning 2017/18. CERT asked organisations to vote for the firm they felt was most deserving of the award.

Its Corporate Engagement Manager Abdi Farah congratulated the firm.

"RNS is a fully deserving winner of the Employer of the Year award," he said.

"You have fully embraced the apprenticeship programme and supported your apprentices throughout their qualification, providing extra training when necessary with your strong emphasis on staff development."

Partner Robert Smith, who accepted the award on the firm's behalf at the presentation evening, said: "We pride ourselves on the variety of training we provide for our staff and it's nice to receive the recognition from others."

"We are pleased to work with CERT as a training provider and look forward to continuing our partnership in the future."

Izzy Baddeley, who works in the business administration and reception team, was also nominated as Apprentice of the Year. RNS took her on full time when her training ended.

The nomination said: "Izzy had a wonderful attitude to her qualification, supported by her employers, showing depth and understanding, of knowledge and always able to relate it to workplace examples."



Well done Chris

Hard work was rewarded when the firm's Christopher Driver was presented with a certificate in recognition of passing his professional exams.

President of the Institute of Chartered Accountants in England and Wales, Paul Aplin, handed the Certificate of Achievement to him in a ceremony at the University of Hull (above) following his final exams last year which qualified him as a chartered accountant.

Christopher was accompanied to the presentation by senior partner John Heeney (pictured left).

He said: "I'd like to congratulate Christopher on passing his exams."

"The ICAEW presentation is reward for his dedication and diligence."

"Our young people all work incredibly hard to work towards passing their professional exams."

"We are focused on training and developing our staff, which helps in our succession planning."

"This is at all levels, not just in accountancy."

"Our biggest investment is in our team, making it the best it can be and giving our clients a huge amount of confidence in our ability to deliver and maintain a reliable, quality service."

Chris, who joined RNS in July, 2015, went to Winterton Comprehensive School, followed by Scunthorpe's John Leggott College and graduated from Durham University with an economics degree shortly before joining RNS.

Chris said: "I'm delighted to have passed my exams and would like to thank the partners for their ongoing support."

VAT update

Construction services' new reverse charge

Recipients rather than suppliers will need to account for the VAT due on certain construction services.

HMRC has updated the draft legislation for its new VAT domestic reverse charge regime for the construction industry.

The services affected are very much like those falling under the CIS scheme for income tax purposes.

The reverse charge will come into force on 1st October this year as originally planned and will cover more than just construction services.

Background

The domestic reverse charge aims to combat missing trader fraud in the construction sector. It is similar to the domestic reverse charge that is currently in place for the sale of computer chips and mobile phones.

Under the new regime, a VAT-registered business, which supplies certain construction services to another VAT-registered business for onward sale, will be required to issue a VAT invoice stating that the service is subject to the domestic reverse charge.

The recipient must then account for the VAT on that supply itself through its VAT return at the appropriate rate, instead of paying the VAT to the supplier. The recipient may recover that VAT amount as input tax, subject to the normal rules.

Services affected

The new domestic reverse charge will apply to B2B supplies of those services between VAT-registered businesses where the recipient then makes an onward supply of the same construction services.

The legislation is designed so that if there is a reverse charge element in a supply then the whole supply will be subject to the domestic reverse charge.

Any subsequent supplies on a construction where the domestic reverse charge has applied previously, may also be covered by the domestic reverse charge, if both parties agree.

This has been introduced to speed up the decision-making process on whether the domestic reverse charge should apply.



Therefore, it will not apply where:

- Services are supplied to the end user, such as the property owner, or directly to a main contractor that sells a newly-completed building to the customer
- The recipient makes onward supplies of those construction services to a connected company
- The supplier and recipient are landlord and tenant or vice versa, or
- The supplies are zero-rated.

The Government's original proposal stated that the reverse charge would apply to 'labour only' supplies of construction services.

However, HMRC now states it will also cover the provision of construction services that includes materials. This will bring many more construction businesses into the reverse charge than first thought.

The value of such reverse charge services will not count towards the VAT registration threshold for smaller businesses who are below the VAT registration threshold and such businesses will be charged VAT by the supplier as at present.

The effect on your construction business

HMRC acknowledges the impact on the industry is potentially significant.

Construction businesses must first adapt their accounting systems to process reverse charge supplies then make ongoing checks to ensure that supplies and purchases are correctly treated.

HMRC also notes some businesses may suffer a loss of cash flow where VAT is no longer charged, ie they will no longer be able to use the VAT they collect from customers as working capital before they pay it over to HMRC.

The reverse charge could also create other issues for operators beyond those highlighted by HMRC, including:

- Depending on their nature, construction services may be subject to VAT at the standard rate of 20%, the reduced rate of 5% or zero-rated. Under the new reverse charge, the recipient would be responsible for identifying the correct VAT treatment of a service provided to them by another contractor, which may not always be simple to verify.
- To determine whether the reverse charge applies, it will be necessary for contractors to disclose to their subcontractor whether or not they are at the end of the supply chain – information which could, in some cases, be commercially sensitive.
- If the end user does not provide its supplier with confirmation of its end user status, the end user will be responsible for accounting for the domestic reverse charge. However, it is not clear if there will be any penalties for not confirming end user status or what enforcement action HMRC may take on this issue.

Action to be taken

Construction businesses should:

- Review supplies made to and received from other VAT-registered contractors to establish whether these will be subject to a reverse charge from October, 2019
- Consider the adaptations that will need to be made to their accounting systems to deal with this change and
- Consider the impact on their cash flow from October, 2019, of not receiving the VAT from their customer and if there are any other ways to mitigate this impact.



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ISA



One tax year ends - and a new opportunity awaits those early ISA investors.

RNS Independent Financial Advisers' partner Andrew Clayton said: "In our experience, most ISA investments take place at the end of the tax year. But if you are able, there is a strong case for investing early, at the start of a tax year."

In this new tax year, the ISA limit is £20,000 for individuals and £40,000 for couples.

Your ISA allowance - free from income and capital gains taxes - can be split in any way you like across a Stocks and Shares ISA, Cash ISA, Lifetime ISA (maximum of £4,000) and an Innovative Finance ISA. You just need to stay within the overall limit.

The allowance is £4,368 for Junior ISAs.

Andrew said: "By investing at the start of each tax year, there is a greater chance of building up a bigger lump sum than waiting until the last minute."

He pointed to fund manager Fidelity International which has compared how two investors would have fared over the past 10 years to April, 2018, if one invested on the first day of each tax year and the other on the last.

The first investor, who put their full ISA allowance into the FTSE all-share index on day one of each tax year, would have seen their investment of £123,560 grow to £180,298.

The second, who put the same amount into the index on day 364, would have seen the investment grow to £170,128. In other words, there was a difference of £10,170.

"The illustration demonstrates the earlier the ISA investment in a tax year, the better," said Andrew.

"If markets rise throughout the financial year, those who invest earlier will have got in at a lower level and they will also have the benefits of extra dividends on that investment, paid free of income tax within an ISA."

An alternative to putting in a lump sum would be to make monthly investments into an ISA.

Fidelity calculated those who followed this route, with regular monthly savings over the past 10 years, would have seen their investment rise to £176,962.

Andrew said clients needed to remember that investments could go down in value as well as grow.

"Ideally, ISAs should be part of an investment portfolio. Decisions will be made on attitude to risk and timeframes.

"But it's a good idea to use as much of the ISA allowance as you can, because that way you'll be making the most of the ISA tax break for your money.

"Those unsure or who would like more advice should give the team a call."



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Staff profile

Name: Mike Llewellyn

Title: I am a manager working with various members of staff, mainly for partner Robert Smith's clients. I'm involved in accounts work, corporation tax and personal tax for small and medium-sized businesses and their directors, and specialise in charity accounts.

When did you join RNS: I joined the firm in July, 1978, starting at the Brigg office and transferring to the Scunthorpe office in 1983. I qualified as a Chartered Accountant (ACA) in 1984.

Education: I attended Sir John Nelthorpe School (Brigg Grammar School as it was then), then did a year's foundation course at Hull College of Higher Education before joining the firm.

Interest out of work: I play bridge regularly, playing at the local club at least once a week, as well as playing in county events and representing Lincolnshire in inter-county competitions. I am also treasurer of Scunthorpe Bridge Club and Lincolnshire Contract Bridge Association.

Favourite TV programme: I seem to watch a lot of TV, mainly sport, especially football and cricket, music documentaries and crime drama and thriller series. Favourites include Line of Duty, Peaky Blinders and Killing Eve, as well as many Scandi Noir series, especially The Bridge and The Killing.

Favourite music: I have a very large music collection and listen to many different genres of rock and pop, as well as blues, jazz and classical. Particular favourites include The Beatles, Otis Redding, Jimi Hendrix, Led Zeppelin, David Bowie, Bob Marley, The Clash, Joy Division, Massive Attack and Miles Davis.

Favourite food: Any roast dinner, especially beef, as well as Chinese and Indian food.

Best thing about living in North Lincolnshire: I enjoy the relative peace and quiet of living in a rural area, not being a fan of city life.

What is the best thing about working at RNS: I enjoy the friendly working environment and the variety of work arising from the different aspects of the services provided for our clients (not to mention working with my sister Di!)



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Income tax rates and bands 2019/20

	£ per year
Basic rate - 20% ¹	0 - 37,500
Higher rate - 40%	37,501-150,000
Additional rate - 45%	Over 150,000

¹ There is a 0% starting rate for savings income only. The starting rate limit is £5,000 for 2019/20. 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 7.5% basic rate, 32.5% higher rate and 38.1% additional rate.

Income tax allowances 2019/20

	£ per year
Personal allowance	12,500
Income limit for personal allowance	100,000
Dividend allowance	2,000
Marriage allowance	1,250

National insurance rates 2019/20

Lower earnings limit	£118 a week
Primary threshold	£166 a week
Secondary threshold	£166 a week
Upper earnings limit	£962 a week
Employees rate on earnings between £166 & £962 per week	12%
Employees rate on earnings over £962 per week	2%
Employers' rate on earnings above £166 per week	13.80%
Upper profits limit	£50,000 a year
Lower profits limit	£8,632
Class 4 self-employed rate on profits between £8,632 and £50,000	9%
Class 4 self-employed rate on profits over £50,000	2%
Class 2 self-employed national insurance	£3.00 per week

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



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DN18 5PD

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