

## Business In Sussex That Owns Residential Property Warned: Don't Be Caught Out By Altered Tax Rules

Changes to the Annual Tax on Enveloped Dwellings (ATED), which concerns UK residential properties owned by a company or a mixed partnership with a corporate member, are now in place.

In the past, this tax did not kick in until the property was worth £2m. However, this financial year, the annual tax charge applies to properties with a value of more than £1m.

Tax reliefs are available on:

- Property rental businesses where the property is not occupied by



anyone connected with the owner of the Company

- Farmhouses
- Property developers where the property is acquired to develop, then sell on and the property is not occupied by anyone connected with the owner of the Company
- Dwellings open to the

public for at least 28 days a year

- Property provided for the use of employees of the Company where the employees do not own more than 10% of the share capital or more than 10% of the partnership.

### Sussex Business Times: Businesses in Sussex That Own Residential Property Warned: Don't Be Caught Out By Altered Tax Rules

- Sussex Business Times is a monthly publication delivering the latest business stories from across Sussex.
- It has a circulation of 26,000.
- Lorna Sizer warns Sussex businesses of changes to ATED.

## The 2015 Summer Budget

George Osborne has announced the first budget since the election and it's not all win-win for everyone. The budget plan includes major changes to the national living wage, inheritance tax, personal allowance, welfare claims, non-doms, income tax and childcare. The Chancellor sees a promising future for everyone, despite seeming negative impacts, but others don't see it that way.

### Positive Impact:

#### • Investors and savers

Lifting of the rate of income tax so you don't have to start paying Income tax until you are earning £11,000 per year and for middle-earners until you are earning £43,000 per year you don't qualify for the 40p high rate.

#### • People with lodgers

Mike Chapman, Senior Manager, Knill James comments that the increase to £7,500 for annual 'Rent a Room Relief' will be: "welcome news to many people in the South East who take in lodgers."

#### • Dividend reform on 85% of investors

George Osborne has announced that the current dividend tax system will be replaced by a tax-free dividend allowance of £5,000. It means all dividends earned outside of pensions and ISAs will be tax free up to £5,000, then taxed at 7.5% for basic



rate taxpayers, 32.5% for higher rate taxpayers and 38.1% for additional rate taxpayers.

#### • Fixing the Annual investment allowance at £200k

Andrew Stanley, Managing Director of Stax comments that this is "good news on many fronts" due to incentivising investment by business. "It will also stop smaller firms receiving shock tax bills due to a lack of understanding about revenue and capital expenditures (they are out there)," says Stanley.

#### • Low wage earners

Introducing a new National Living Wage of over £9 per hour by 2020 following the initial increase to £7.20 per hour from April 2016 for all over 25s. Increasing the tax-free personal Allowance from £10,600 to £11,000 in April 2016 means a typical taxpayer will be £905 a year better off in 2016-17.

#### • Inheritors

From April 2017 it will be possible for someone to pass on their home to their children or grandchildren tax free after their death.

#### • High income earners

The amount that people have to earn before they begin to pay tax at 40% will increase from £42,385 to £43,000 in 2016-17.

### Negative Impact:

#### • Landlords

There has been a loss of higher rate tax relief on interest payments for landlords.

#### • Dividend reforms on 15% of investors

The new allowance means that the 15% of investors who receive significant dividend income on shareholdings worth £140,000 plus will pay more.

#### • Non-domiciled individuals

Non-doms will only be treated as such for 15 years thus ending their permanent status. By to let landlords are facing restrictions of the amount of mortgage tax relief they can claim. There will also be changes in taxing of pensions.

#### • Welfare claimers

The household benefit cap will be reduced to £20,000. Support through Child Tax Credit will be limited to 2 children for children born from April 2017. People aged between 18 and 21 who are on Universal Credit will have to apply for an apprenticeship or traineeship, gain work based skills or go on a work placement for 6 months after the start of their claim.



A new National Living Wage of over £9 per hour by 2020

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- Mike Chapman discusses the annual rent a room relief increase announced in the Summer Budget.