National Minimum Wage V National Living Wage - What's The Difference?

The **National Minimum Wage** (NMW) is the minimum pay per hour workers of school leaving age but under 25 are entitled to by law. It is regulated by the Low Pay Commission and reviewed each year by the government.

The **National Living Wage** (NLW) in simple terms is the new minimum wage rate for those aged 25 and over. It is basically a rebranding of the NMW. It is increased each year in April as part of the Budget process.

The rate will depend on a worker's age and if they are an apprentice. From April 2019 the minimum wage for a 25 year old will increase to £8.21 per hour and the apprentice wage will increase to £3.90 per hour for the under 19s or those in their first year of the apprenticeship.

Some groups of workers are not entitled to the NMW or the NLW these include company directors, volunteers and members of the armed forces together with self-employed individuals.

HM Revenue & Customs (HMRC) can take employers to court for not paying the NMW or NLW.

Top tip:

If you are an employer it is vital that you comply with your obligations under the National Minimum Wage Act 1998. Your payroll personnel will need to be aware of the increase in April 2019. If you wish to discuss the operation of your payroll, please contact us.

Residence Nil Rate Band (RNRB) Increase confirmed

The RNRB is an additional Inheritance Tax nil-rate band, available to estates where the deceased's residence is passed on death to a direct descendant.

The value of the residence which can attract this further amount of nil rate of tax will rise to £150,000 in April 2019 and to £175,000 in April 2020.

This additional nil-rate band is withdrawn for estates with a net value of more than £2m at a withdrawal rate of £1 for every £2 over this threshold while any unused RNRB can be transferred to a surviving spouse or civil partner.

The RNRB is also available when a person downsizes or ceases to own a home on or after 8 July 2015 and assets of an equivalent value, up to the value of the additional nil-rate band, are passed on death to direct descendants.

Top tip:

It is important to plan during lifetime to ensure the family home is passed to loved ones free of inheritance tax (IHT). A review of your own or a family member's potential inheritance position could present options to minimise the IHT liability for the estate and take much of the stress away from loved ones.

We are here to help

We can help you by ensuring that you're aware of the changes that will affect you, your family and your business. To find out more about the ways that we can help you, do not hesitate to contact us.

WBD
Marlbridge House, Enterprise Way,
Edenbridge, Kent TN8 6HF

Andy Branson
Tel: 01732 865965
Email: andy@wbdaccountants.com

WBD
CHARTERED ACCOUNTANTS
helping businesses grow and succeed

paylesstax 2018budgetedition

A tour of some of the changes from the October 2018 Budget. A look at how it will affect individuals and businesses and what actions can be taken now in order to minimise your tax bill.

Personally Better Off

When the budget statement was delivered at the end of October 2018 the main headline was the increase in personal tax allowances happening one year early. Higher tax allowances mean slightly more income is received tax free and it is that tax free amount which gives a saving. For someone earning below £46,384 this tax saving will be **£130** per annum and for or those earning between £50,000 and £100,000 the saving will be **£860** per annum, all thanks to the increases in personal allowances and the tax rate band threshold changes.

The starting rate of tax for savings income remains at £5,000 and applies to the whole of the UK.

Welsh Assembly
The Welsh Assembly published its Budget on 2nd October 2018. HM Revenue and Customs (HMRC) will continue to manage and collect income tax and manage personal allowances, National Insurance benefits and Gift Aid, with the Welsh Revenue Authority (WRA), created in 2017, managing and collecting Welsh Taxes.

From 6th April 2019 the rate of income tax paid by Welsh residents to HMRC will be reduced across each rate of income tax (the basic, higher and additional rates) by 10 percent. The WRA will then charge income tax on Welsh residents at a rate of 10 percent resulting in there being no financial difference for the first year in the transitional period.

Scottish Government
It is less certain how the Scottish Parliament will set allowances and rate bands for Scottish residents. We will have to wait for the Scottish budget on 13th December to see the impact on Scottish residents, however the Budget 2018 did confirm that a new allowance introduced only for people in Scotland who get carers allowance, would be subject to income tax. The Carers Allowance Supplement is £221 and this is paid twice a year by Social Security Scotland.

Higher Tax and NIC for Contractors to the Private Sector

Contractors who work through personal service companies and contract to private sector businesses will see their contracts brought under tighter scrutiny from April 2020.

It will be the role of the private company to decide if the contractor is working under a contract and has the working practices which would indicate them to be working as an employee. If the contractor fails the tests they will pay tax and NIC as if they are an employee.

The tests which define a self-employed individual from an employed individual are complex and will not be within the sphere of tax knowledge of HR departments. The result will be incorrect decisions being taken affecting the invoice amounts paid to legitimate contractors.

Top tip:

If you are a contractor working through a personal company we recommend you undertake a review of your contracts and working practices to assess if this legislation will apply to your invoice payment from April 2020.

WBD

Tax relief for those selling a personal company

Capital Gains Tax (CGT) is payable at 10% or 20% on the gain made on the disposal of assets (other than residential property).

Entrepreneurs' Relief (ER) is available to reduce the tax payable to 10% when a sole trader or partner sells or gives away their businesses or certain business assets. ER is also available when a director or employee owning 5% or more of their company's share capital and the voting rights disposes of their shares.

It is the second group of individuals who are affected by the 2018 Budget changes. Following the 2018 budget those wishing to exit or sell their shares in a personal company will find it a little more difficult to benefit from the reduced 10% rate of Capital Gains Tax (CGT) as 2 further conditions have been added to qualify for the relief. The conditions are around the percentage shareholding and the voting rights attached to the shares in the company together with an extension to the timeframe that the conditions have to apply.

Top tip:

If you are thinking of selling your shares, your business or some of your business assets please speak to us before your agree a sale, as reviewing the availability of ER could save £0,000 in Capital Gains Tax.

Principal Private Residence Tax Relief Cuts May Follow

The 2018 Budget announced changes to the tax reliefs available to those who rent out a property previously lived in or held as a second property, however these announcements did not make it as far as the Finance Bill and are only now being consulted upon. Nevertheless, it does highlight the potential for increased tax liabilities when a second property is sold.

Top tip:

If you are aware of the expected liability to Capital Gains Tax (CGT) when considering a potential sale, you will be in a better position to set your desired proceeds and plan for the sale. This will be especially important if the sale completes after 6th April 2020 because sales completed after that date will result in the CGT being due to be paid within 30 days of the completion date.

Tax Relief for Construction and Refurbishment

A new tax relief intended to support business investment in the construction of new buildings and structures or refurbishment of existing buildings, will be granted for costs incurred after 29th October 2018.

The relief will be given for qualifying costs incurred for:

- Offices,
- Retail and wholesale premises,
- Walls, bridges, tunnels,
- Factories and warehouses.
- Premises used as hotels and care homes.

Where the business itself develops the structure or building, rather than acquires it, the cost of any land preparation necessary for construction will qualify for relief.

The relief is available for UK and overseas buildings and structures provided the business is taxed in the UK.

The tax relief is at a rate of 2 percent of the qualifying costs per year over 50 years from the date the building comes into use for a qualifying activity, which generally covers use for a trade, profession or vocation and includes certain UK or overseas property businesses, mines and transport undertakings.

If one year is not claimed then it is lost and if the building is sold then the purchaser continues with the claim over the remainder of the 50 years.

Top tip:

If your business is engaged in or plans to construct or renovate a commercial building or structure why not ensure the use meets the criteria for the new allowance and where an existing building is used for commercial purposes let us ensure the Capital Allowances Integral Features allowance is claimed for:

- lifts, escalators and moving walkways
- space and water heating systems
- air-conditioning and air cooling systems
- hot and cold water systems (but not toilet and kitchen facilities)
- electrical systems, including lighting systems
- external solar shading

Annual Investment Allowance

The AIA is available to businesses including furnished holiday letting businesses who spend on plant and machinery. Plant and machinery are items which are kept and used in the business together with some fixtures e.g. fitted kitchens and bathroom suites.

The full amount which qualifies up to a maximum can be claimed as a deduction from profits and the Budget 2018 announced that for two years commencing on 1st January 2019 that maximum amount is increased from £200,000 to £1m.

Top tip:

A great deal of care should be taken on the date of purchase of large value plant and machinery as, should the accounting period which includes the purchase straggle the date of increase to £1m or the date of reversion to £200,000, the amounts which can be claimed will be apportioned across the different periods and, at times, this can have a restrictive impact on the actual amount which can be claimed.

Electrically Charged

The government estimates there are around 6,000 separate locations with electric charge-points and wants this to be increased to encourage more use of electric vehicles.

Budget 2018 gives a new relief for the cost of acquiring new electric charge-points after April 2019 but before April 2023. The relief of 100 percent of the cost is allowed against the profits of the purchasing business. This is unlikely to impact on small businesses as the cost of acquisition is prohibitive, additionally, the AIA will usually cover most small business expenditure.

Top tip:

There are workplace grants available for businesses who install electric charge-points for their employees.