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autumn 2015

GENIE

Welcome to the Autumn edition

Welcome to the Autumn edition of GENIE. No apologies for the tax theme this time round as we had the Summer budget in July and there are a considerable number of major tax changes planned for implementation from either 6th April 2016 or 2017. I am confident these will impact our clients one way or another across the board. It is also of note that the number of tasks being forced on to all taxpayers appears to increase every year. Indeed the extent of Returns required for UK residential property transactions is now unprecedented. The proposal to scrap the annual tax return, covered in the back page article, made us smile but good luck to HMRC if they can achieve that!

by Colin Burns

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BUY-TO-LET: The changes

The Summer 2015 Budget announced some major changes to the taxation of residential buy to let properties which commence from 2016/17 onwards. Currently when calculating the amount of profit liable to tax on a residential buy-to-let:

- If the property is let fully furnished, you cannot deduct the cost of buying or replacing furniture - instead a wear and tear allowance of 10% of the rent is given, which in most cases is much more beneficial
- All the interest (but not capital) on any loan taken out to buy, improve or maintain the property is fully deductible

What are the changes?

The first change is that from April 2016 the wear and tear 10% allowance is abolished. Instead you will get tax relief for the actual costs of replacing furniture. This is likely to increase somewhat the tax payable on furnished lettings. The second change is likely to be much more damaging for a large number of owners. Instead of being allowed to deduct the full amount of loan interest, owners will get relief only at the basic rate of tax. The change applies only for Income Tax purposes (so doesn't affect companies). Although it will not be fully effective until April 2020 it starts to be phased in from April 2017 in four equal annual instalments. If you are only ever a basic rate taxpayer, (the government's intention is that all persons with income of less than £50,000 will be so classified), own buy-to-let property free of debt, or if you own through a company the change will not affect you at all.

What is that extra tax cost?

Assume that

- Your rental income from letting unfurnished property (after deducting all expenses other than interest) amounts to £40,000.
- You pay interest of £30,000.
- You have other income which absorbs your personal allowances and basic rate band.

Then, at present you will be paying Income Tax of £4,000 on your profit of £10,000. Even assuming that interest rates remain unchanged, when the new rules come into full force your Income Tax bill will be £10,000 (calculated as 40% of £40,000 less 20% of £30,000 interest being £16,000-£6000=£10,000). In other words, your tax rate will increase to 100% of the surplus income! *continued on p.2..*

BUY-TO-LET: The changes

by
Colin Burns

Indeed one can easily foresee a scenario where the tax rate may exceed 100%: the tax that you pay may exceed the commercial profit which you make from the letting. This would be the case, for example, if

- You are liable to tax at 45% (chargeable other income of more than £150,000) instead of 40%, or
- Interest rates increase faster than rents

What can be done?

Not a huge amount and in the words of one of the new challenger banks this will reduce the number of 'amateur' landlords. Some options that could be considered are:

- Do nothing: accept that the investment has a much reduced running yield (or even a negative yield) and rely upon capital growth for your profit. Perhaps a decent strategy inside the M25 but not attractive elsewhere.
- Find funds to repay the loan, either by selling assets or possibly in appropriate circumstances by re-financing other assets.
- Sell the property. If you want to continue to invest in the property sector you could then consider
  - Investing in commercial property (where the new rules do not apply);
  - Investing via a company;
  - Investing jointly with others in debt-free residential property; or
  - Investing in a quoted managed residential property fund
- Sell the whole or part of your interest in the buy-to-let property to a company which you control, on terms that the company takes on the whole of the borrowing.

Each option has its own tax consequences and there will be wider commercial issues to consider as well. Every case is likely to be slightly different, but among other things you may need to consider the impact of:

- Capital Gains Tax both now and when the property is sold in the future
- Stamp Duty Land Tax
- Dividend Tax
- Inheritance Tax
- Extracting the funds from a corporate owner

It is fair to observe that no two cases will be the same and each case should be reviewed separately on its merits and your regular contact partner at Gerald Edelman would be pleased to arrange this.

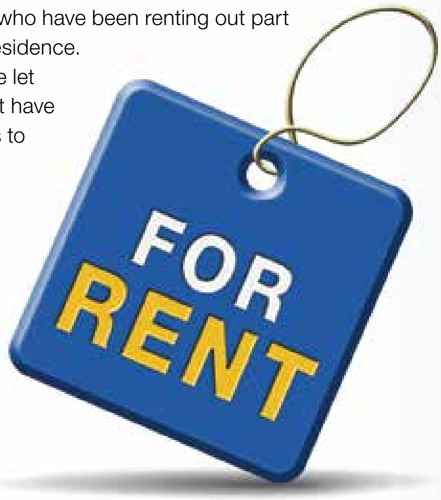
Each option has its own tax consequences and there will be wider commercial issues to consider as well

by
Amal Shah

Rent a Room Relief

The government has announced that from 6 April 2016 the rent-a-room relief will be increased from £4,250 to £7,500. The relief has not increased since 1997 and is welcome news for individuals who have been renting out part of their main residence.

Please note the let part should not have its own access to the property.



EIS and SEIS tax breaks too complicated for most SMEs

On 7th September 2015 The Institute of Directors (IoD) called on government to simplify the Enterprise Investment Scheme (EIS) and Seed Enterprise Investment Scheme (SEIS) tax breaks for business to encourage investment in small to medium sized businesses and start-ups as too few businesses are aware of the reliefs.

The IoD report, Opening the Equity Economy, examining the effect of the EIS and SEIS tax reliefs for business, states that the tax reliefs are being under-used.

Residential Property

Disposals by Non-residents

The changes from 6 April 2015

- A non-UK resident (this includes individuals, Trustees and companies) is now subject to Capital Gains Tax (CGT) on disposals of UK residential property.
- HM Revenue & Customs has introduced a new Return that is required to be completed by any non-UK resident owner (individual, company or trust) making a disposal of UK residential property after 6 April 2015. This is due within 30 days of the date of the disposal.
- THE NRCGT return has to be filed irrespective of whether a gain or loss has been made. Any applicable exemptions must be claimed in the return
- In view of the tight timescale, if you wish us to assist, it is important that we are notified when a residential property is in the process of being sold, to ensure that the return is completed within the short timeframe.
- Failure to file a NRCGT Return within 30 days will result in penalties being levied by HM Revenue & Customs (HMRC).
- Where the usual annual Self Assessment tax return is being filed, the CGT payment can be postponed until the normal tax payment date relevant to that return. (i.e. for self assessment by 31 January following the end of the tax year in which the disposal occurred).

Calculating the gain

- The new rules do not apply to gains relating to periods before 6 April 2015. The amount of the chargeable gain subject to the new rules will therefore by default be calculated as any gain that has accrued post 5 April 2015 (any gain accrued pre 6 April 2015 is excluded) i.e. there is an effective 'step up' of the tax base cost to the value of the residential property at 6 April 2015. It is however possible to elect for alternative bases of calculating the gain.
- A relief for individuals may be available (the Private Residence Relief - see below).
- In limited circumstances certain residential properties or investors may be exempt.
- The CGT tax rate for individuals will be either 18% or 28% (depending on the level of UK taxable income); 20% for companies; and 28% for Trustees.
- The CGT calculation needs to be submitted to HMRC with the NRCGT return.

Changes to Private Residence Relief

- The Finance Act 2015 also introduced changes to the Private Residence Relief (PRR). This relief is available where a residential property has been occupied as an individual's main residence.
- The new PRR rules will apply to both non-residents disposing of UK residential property and UK residents disposing of properties located outside the UK.
- From 6 April 2015, PRR relief will only be available if the individual meets the new PRR occupancy test.
- Under this test, an individual will not be eligible for PRR for a tax year unless:
  - the person making the disposal or their spouse/ civil partner is tax resident in the country where the property is located for that tax year; or
  - the person spent at least 90 days in that property in that tax year - the "90-day rule". This is a major trap for those claiming to be non-resident in the UK as staying for more than 90 days may cause them to become tax resident for income tax and capital gains tax generally.

by Amal Shah

Raising funding under the Enterprise Investment Scheme

by Colin Burns

The Enterprise Investment Scheme is an excellent way for individuals to raise equity to capitalise either brand new or established companies.

The key benefits for individuals is that they receive a 30% income tax credit for the gross amount of their share subscription and they have complete freedom from capital gains tax, when they come to sell the shares in the EIS company. Further, the gross amount of the investment can be used to defer assessment of any capital gain that was made in the previous three years on any asset whatever that may have been.

In the March 2015 Budget, new restrictions were announced on the age of the company and a lifetime limit on how much a company can raise under the risk capital schemes.

It is intended that, for most companies, these limits will be 12 years and £15m respectively and that these will be effective for share issues on and after 6 April 2015. These are, however subject to EU approval. These limits exceed the EU state aid regulation equivalent limits of seven years and €15m, so may be subject to restriction. If this happens, any relief granted in the interim period, may have to be withdrawn later, as the legislation permitting it may never have been effective in the first place.

To avoid granting advance insurance in circumstances where the proposed UK limits are observed but the EU limits would be breached, HMRC will not process any application until the proposed UK limits are confirmed.

Generally this is a wholly unsatisfactory state of affairs and means that client's investing or owners seeking to raise finance for companies that are more than seven years old from when they first commenced the trade, are in a state of uncertainty.

We will update our client's as soon as we can when we have heard whether the proposed limits are likely to be confirmed and will issue an immediate update on our blog, available at www.geraldedelman.com.

The key benefits for individuals is that they receive a 30% income tax credit for the gross amount of their share.

Changes to the taxation of dividends

by
Colin Burns

The 2015 Summer Budget announced changes to the taxation of dividends. These changes will come in from 6 April 2016. This is an enormous change impacting many of our clients who have owner managed businesses and have in the past typically taken a small salary to qualify for state retirement pension and benefits with the remainder of their income taken in the form of dividends often shared with a wife and adult children. This change alone is expected to increase tax revenue for the Exchequer by £1.5bn,

At present dividends are not effectively charged to tax to the extent that they fall within the recipient's basic rate band.

Dividends received by someone paying the 40% rate of tax are taxed at 25%: and for the highest earners, whose income falls within the 45% band, the corresponding dividend rate is 30.55%.

From 6 April 2016 all of these rates will be increased by 7.5% so that for a basic rate taxpayer dividends will be charged at 7.5%; for a 40% payer the rate will be 32.5% and for a top-rate taxpayer, 38.1%. However, in every case the first £5,000 of dividend income will be tax-free.

Tax treatment of £1,000 dividend from April 2016 in excess of £5,000 allowance

	GROSS DIVIDEND (£)	TAX DUE (£)	DIVIDENDS AFTER ALL TAX (£)
NON-TAXPAYER	1,000	0	1,000
BASIC-RATE TAXPAYER	1,000	75	925
HIGHER-RATE TAXPAYER	1,000	325	675
ADDITIONAL-RATE TAXPAYER	1,000	381	619

As a result some higher-rate taxpayers will be better off under the new regime. There is a dividend income break-even point where the tax payable on dividends under the current system equals the tax on the new system. For higher-rate taxpayers this level of dividend income is £21,667.

Under the current system, for higher-rate taxpayers £21,667 of net dividends taxed at 25 per cent = **£5,416.75**

From April 2016 £5,000 of dividends taxed at 0 per cent = **£0**

£16,667 of dividends taxed at 32.5 per cent = **£5,416.75**

So, from April 2016, higher-rate taxpayers (40% top rate) will be better off as long as their dividend income does not exceed £21,667, but worse off if their dividends exceed this.

Additional-rate taxpayers (45% top rate) will be better off under the new regime providing their dividend income does not exceed £25,401, but worse off if their dividends exceed this level.

Those with income over £100,000 start to lose their personal allowance at an effective tax rate of 60 per cent on earnings or interest income. Dividends falling within this band will be subject to an effective tax rate of 52.5 per cent.

At present, an individual whose income consists of a salary of £7,500 and £80,000 of dividends can expect to pay tax of about £12,000. From 6 April the tax goes up by almost a quarter to some £15,000. So what can be done about it?

The first thought may be to wonder whether, with the increased rate of tax on dividends, it will still be worth taking money out as dividend rather than salary once the changes kick in. The clear answer is yes: it is. Because of the impact of National Insurance Contributions (both employer's and employee's), substituting salary or bonus for dividend would increase the tax cost in the example quoted above by over £9,000.

A second idea that might spring to mind would be to accelerate voting of dividend to before 6 April 2016 and avoid the extra tax charge (leaving the dividend outstanding on loan account, of course, to be drawn down in future years). In a small number of cases this may be worthwhile: but great care is needed. For example, on the example we have given, the tax saving in 2016/17 from accelerating say £40,000 of dividend would be more than wiped out by the fact that the additional income for 2015/16 would take you over the level at which personal allowances are withdrawn. And accelerating larger amounts will soon move you into the highest rate of tax which, again, will defeat the point of the exercise. But there are two circumstances in which accelerating income into 2015/6 may give a worthwhile overall saving.

- The first is where you are already paying tax at the highest rate and expect to continue to do so in future years. For example, if you are drawing dividends of £200,000 a year, you may save £15,000 in tax by voting an extra £200,000 in the current year and reducing dividends by £50,000 in each of the next four years.
- The second is the special case where your dividend income runs at around £110,000 per year. Accelerating up to £35,000 of dividend from 2016/17 into 2015/16 may afford tax savings of around £5,000 because of the interaction of a number of tax factors at this level of income.

In each case, of course, it is necessary that your company should have sufficient distributable reserves to vote a large enough dividend and that the cash to pay the tax on the accelerated dividend can be found.

For the future, planning may involve considering ways in which value can be extracted from a company other than by way of dividend or remuneration.
For example:

- If you own premises from which the company operates (or even if you work from home for all or part of the time) consider making an appropriate charge to the company. If set at a market rate the charge should be fully tax-deductible for the company and (unlike remuneration) will not give rise to a charge to NIC.
- Similarly, if you have a positive director's loan account with the company - perhaps arising from accelerated voting of dividend left outstanding on loan account - it will be perfectly acceptable for you to charge an appropriate rate of interest.
- Your company may be the type that could buy assets from you for resale in it's trade.

Finally, if you are typically drawing from the company substantially the whole of the profits which it makes, the additional tax on dividends may lead you to think about disincorporation and returning to trade as a sole trader or partnership. Careful consideration is required. At most levels of profit, the tax payable from April 2016 be very similar regardless of whether you trade through a company and remunerate yourself with dividends, or whether you trade as a sole trader. But in some cases (especially where disincorporation does not itself create significant tax costs) it is an option to consider.

UK risk-takers are important to grow the economy

by
Richard Kleiner

I recently read an interesting sound-bite from Sir Nigel Rudd about the UK's approach to risk-takers which struck a chord with me.

Sir Nigel stated that risk and business are often brought together to conjure up colourful stereotypes like Gordon Gekko, Bernie Madoff of the "Wolf of Wall Street" – an individual who is ruthless, excessive and above all a "risk-taker".

Critics of risk-takers be they from media or politics are jumping to a misplaced conclusion being that risk is always a bad thing and that taking risks can only be irresponsible, foolhardy, and even immoral.

As Sir Nigel goes on to say, "the truth is that risks are not all that easy to take – especially when the potential losses are significant. Indeed, it is not unusual to see senior executives rigid with fear and paralysed by data when confronted by a serious investment decision."

The fact is that we need more risk–takers. Or more specifically, we need more individuals who understand risk and can work with it.

But many people ask the question, what is "risk"? Many would say it is the potential of losing something of value – physical health, social status, emotional wellbeing or financial wealth – as a result of a particular action. Of course, risk has many different applications, but in financial contexts, it generally describes the possibility that an actual return on an investment will be lower than the expected return or at the cost of a greater return elsewhere.

A clear distinction must also be made between risk and plain old uncertainty, and arguably this comes down to the extent to which potential exposure can be measured. The ability to understand, calculate and offset that exposure with an appropriate return is critical – and it is an absolute requirement for a successful business. Fear, immobility or paralysis driven by aversion to risk can only serve to stifle enterprise.

Putting capital on the line and investing in some of the UK's most exciting growing companies, the investor has to know a thing or two about risk.

The message from Sir Nigel to British entrepreneurs is clear: more of them need to take a well-calculated risk on growing their businesses – not settling for merely "good", but striving to become "great", the business success stories of the future. Entrepreneurs should embrace the economic upturn with its latent opportunity, accept that now is a great time to invest, and keep an open mind about different ways to fund their growth.

Ironically, sitting tight and accepting the status quo is possibly the most risky option for a business, because if you're not careful inertia rapidly becomes a permanent way of life. Delaying investment could prove a costly decision as competitors across the globe raise their game.

The smart entrepreneur does not avoid taking risks but instead makes a proper assessment of them and looks for ways to manage or mitigate them. They ask: "how can I take this step more cheaply (possibly by using someone else's money); who can help me to get where I want to go (with contacts and learning); how can I do it faster; and how can I do it better than I had initially planned?"

Calculated risk-taking is ultimately critical to business growth. There should be no shame in taking a risk, and indeed no shame in not always getting it right first time. Successful British enterprise requires a culture where calculated risk-taking is encouraged, applauded and properly supported.

The UK needs more risk-takers. This is important as we cannot afford is to leave economic growth to chance!

The truth is that risks are not all that easy to take – especially when the potential losses are significant.

Changes to Tax legislation affecting offshore companies

by Amal Shah

1. INHERITANCE TAX (IHT)

The government announced on 8th July proposed changes to IHT rules on UK residential property held by non-UK domiciled individuals or excluded property trusts. The proposal intends to bring all UK property held directly or indirectly by foreign domiciled persons into charge for IHT purposes, even when the property is owned through an indirect structure such as an offshore company. Please note these are proposed changes, a consultation will be published and legislation will be included in Finance Bill 2017 with changes effective on or after 6 April 2017.

2. ANNUAL TAX ON ENVELOPED DWELLINGS – (ATED)

ATED was introduced on 1 April 2013 for residential properties with a value over £2million at 1 April 2012 owned by non-natural persons (typically companies) whether resident in either UK or offshore. The government is reducing the threshold to £1million and then to £500,000 on 6 April 2015 and 6 April 2016 respectively. If the value of your property exceeds these limits an ATED return will need to be submitted.

The entity can claim business exemptions on the Return form from the charge with the main reliefs being:

- Let to a third party on a commercial basis and is not, at any time, occupied (or available for occupation) by anyone connected with the owner
- Part of a property developer's trade where the dwelling is acquired as part of a property development business the property was purchased with the intention to re-develop and sell it on and isn't, at any time, occupied (or available for occupation) by anyone connected with the owner.

There is also an obligation to inform HM Revenue & Customs within 30 days of purchasing a property that falls within the ATED regime.

HM Revenue & Customs impose significant penalties for failure to submit ATED returns on time.

CAPITAL GAINS TAX

Unless the ATED Business Exemption applies, offshore companies with residential properties valued over £2million have been subject to CGT since 6 April 2013 at a rate of 28% on gains accruing after 5 April 2013. The government reduced the CGT threshold in line with the ATED changes so from 6 April 2015 and 6 April 2016 properties over £1million and £500,000 may be subject to CGT respectively.

Inheritance Tax – the levy of choice!

by
Graham
W Thomas

Managing
Director

CHANCELLOR George Osborne's announcement in the Summer Budget to allow families to pass on estates worth up to £1million free of Inheritance Tax (IHT) was warmly received but is far less generous than it first appeared. The changes are complicated and very importantly:

- will only apply to the main family home when left to a direct descendant (child, grandchild, etc)
- will take several years to come fully into effect and
- will not benefit those with larger estates – in fact they could be disadvantaged by the changes.

It is for this reason that Inheritance Tax (IHT) planning (also known as Estate Planning) has never been more important.

In the past, IHT planning was an activity confined to the very rich. However, growing affluence means that this is no longer the case. Even families and individuals who consider themselves to have a relatively modest level of wealth (e.g. property, cash and investments), now need to plan ahead to ensure that the wealth which they have spent a lifetime accumulating passes on to their loved ones, rather than the lion's share passing to HMRC as is unexpectedly often the case. The table below provides an idea of the Inheritance Tax that could be paid on three different sizes of estate;

VALUE OF ESTATE	MARRIED COUPLE	SINGLE PERSON
£1,000,000	£0 *(£140,000)*	£200,000 *(£270,000)*
£2,000,000	£400,000 *(£540,000)*	£600,000 *(£670,000)*
£3,000,000	£940,000 *(£940,000)*	£1,070,000 *(£1,070,000)*

How much Inheritance Tax will be paid on my/our death to HMRC?

These figures assume you qualify for the full new main residence nil rate band from 2020/21 onwards. If you do not qualify for the full band the figures in brackets would apply.

Estate Planning is not all about reducing Inheritance Tax. It is also important to consider:

- whether you need access to income or capital from your assets during your lifetime
- protecting your assets so that your family benefit rather than a future disgruntled daughter or son-in-law or creditor,
- making provision for vulnerable or minor beneficiaries, and more.

The good news is that by seeking the right advice, practically everyone with an IHT liability should be able to reduce or eliminate it, passing on as much of their estate as possible to their loved ones. Remember IHT is a voluntary tax which can be legitimately avoided with the right planning. Get professional financial advice before you make a start.

Genesis Wealth Ltd has been providing private individuals, families and trustees with high-quality, expert financial advice for many years. Our advisers would be happy to guide you through the complexities of estate planning, explaining the options available to you, and helping you to build the secure financial future which you and your family deserve. At this stage, if you would just like a free copy of our information leaflet entitled – 'You and yours – estate planning' please either email enquiries@genesiswealth.co.uk or contact my colleague Andrew Chaplin on 01376 344234 and we will forward a copy to you. If you would like an exploratory meeting either face-to-face or by telephone to discuss your circumstances we would be delighted to do so – there is no charge for this and you would not be under any obligation.

My team and I look forward to being of future service to you.

The information above does not constitute advice. Specialist advice should be undertaken before pursuing any estate or Inheritance Tax mitigation planning measures.

Tax payments procedure

From the 13th September 2015, you'll need to use a new service to pay your tax online by debit or credit card. Please note that there is a 1.4% surcharge for the use of a credit card.

This link can be used to pay Corporation Tax and VAT if a corporate has the requisite cards in issue.

Please visit this link and follow the instructions ensuring you have your UTR to hand (unique 10 digit tax reference number with a small 'k' on the end). www.gov.uk/pay-tax-debit-credit-card.

5 GOLDEN RULES of managing 'A' players

Chiumento Group is a new client for our firm and is in the business of HR recruitment, outplacement and other HR services.

The CEO is called Ian Gooden and he has written the following thought provoking article for employers about retaining your 'A' players.

"Over the last few months I have delivered a lot of leadership development events. The audiences have ranged from CEOs and MDs to middle managers and "high potentials". Each programme always ends with a Q&A and in every case the question on everyone's mind was "how do I hold on to my best people?".

What they are inevitably talking about are their 'A' players. That top perhaps10-15% of the workforce who make an above average contribution. Be that in innovation, customer service, quality, sales performance or technical expertise. Basically the people "who make the boat go faster".

Of course what every leader wants is more than their fair share of 'A' players. Recruiting them is tough and expensive and once you've got them everybody else wants to steal them. There's just not enough great talent out there to quench the thirst of every business. That in turn drives up competition and fuels salary inflation.

So how do you make sure you stand the best chance of keeping your brightest and best? Well, here's my top tips:-

1) Stop trying to keep hold of them. I don't mean that in terms of accept the inevitable. Rather it is about line managers changing their mindset.

   Too often line managers try to "hoard" talent. They take the attitude that great people are their local asset – rather than an organisational one. They put up all sorts of barriers and smokescreens to stop other managers in the organisation offering their people more exciting, challenging and rewarding opportunities. That's often simply (if subconsciously) because losing someone good makes their own life harder. The "green eyed god" factor can apply too - especially if their own career has reached a plateau.

   Great leaders are producers not consumers of talent. They see their job as nurturing and growing potential and then selflessly handing it on.

2) 'A' players want to work with other 'A' players. Generally 'A' players are tolerant of 'B' players. They accept that not everyone is as driven or as capable as them. They know that 'B' players are the dependable, loyal and reliable bedrock that every organisation is built on. The middle 66% of the workforce.

   What they have little or no tolerance for are 'C' players. Those bottom performers whose negative contribution acts like an organisational sea anchor. 'A' players look at leaders and expect them to do something about poor performance.

   The reality for leaders is that they aren't judged just on their own contribution. You can be the best accountant, marketeer or engineer in the business and still not be seen as a success if you don't tackle capability issues in your team. Nobody will hold you more to account for this than your 'A' players. Fail the test and you'll lose their trust and respect no matter how technically capable you are.

3) "The willing donkey bears the heaviest load". It's an old saying but a valid one. 'A' players can often do more than their colleagues. However it's a skill that's easily abused by leaders – and over time becomes routinely expected and as a result that over-achievement is poorly recognised.

   Over time 'A' players can become resentful about the "unfair" burden placed on them compared to their less capable colleagues – including sometimes their boss. If it is combined with a sense leaders are using them to compensate for unresolved performance issues elsewhere, then the problem is multiplied.

Over-loading 'A' players is an easy trap to fall into. Often their high achiever traits can make them appear hungry for the challenge but there is a turning point at which it is perceived as being "taken advantage of". At which point their loyalty and engagement declines and they become vulnerable to another offer.

4) A "safe pair of hands" mindset is potentially a bear trap. Leaders typically like nothing more than predictable outcomes. So giving a piece of work or project to an 'A' player lets them sleep at night.

   The problem is that 'A' players typically like new challenges, stretch and growth. So giving them an objective that smacks of "been there, done that, got the t-shirt" won't offer the stimulus they crave. Your "safety" might well be their "repetitive, boring and unfulfilling".

   Leaders sometimes need to take risks. That same piece of work your 'A' player might resent could be somebody else's career turning point. Giving them that stretch and development might just make them the next 'A' player in waiting.

5) Neglecting 'A' players. All leaders face a time paradox. The people who tend to soak up their time are 'C' players. The ones who need hands on performance management, direction and coaching. Whereas actually they should be spending most time with the 'A' players.

   It is easy to fall into the trap of thinking that 'A' players know how good they are and can be safely left to get on with it. However their need for attention and recognition is often just as great as anyone else. Forget that and you will have a big problem on your hands.

   The interesting thing is that none of the above points are about reward - that's important. Thinking that just showering 'A' players with money will keep them is not true. As our own "Riding the Career Carousel" research showed, less than 20% of the UK workforce sees extrinsic rewards like pay and bonuses as their primary motivator. Get pay wrong and it will be a problem, but equally you can't just buy loyalty. Engaging and retaining 'A' players is a lot more complicated than that."

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Taxation of interest and digital tax accounts

by
Amal Shah

From April 2016, banks and building societies will pay interest gross without deducting 20 per cent tax. The government has introduced the Personal Savings Allowance which will result in the first £1,000 for basic rate taxpayers and £500 for higher rate taxpayers being tax free.

The starting rate of tax on savings income will be reduced from 10% to 0% and the maximum amount of income subject to the 0% rate will be increased to £5,000.

Taking the above together with exemption of taxation on the first £5,000 of dividends one may be forgiven for thinking that the Chancellor has become very generous but professionals believe these changes are really designed to reduce the complexity of the tax affairs of millons of people. Read on:

Abolishing self-assessment, a new dawn for tax reporting

George Osborne set himself an ambitious target in the March 2015 budget, by announcing that he plans to scrap self-assessment tax return reporting by the end of this government (2020).

The proposals put forward will abolish self-assessment tax returns in favour of an online tax account. Specific legislation to implement this once in a generation tax system overhaul is being consulted on with legislation being implemented shortly afterwards.

There has been no formal timetable announced for the phasing in of the new online accounts, but we know that the first of the switches will happen next year, presumably to cover reporting for the 2016/17 tax year. HMRC has said that it expects 5 million small businesses, and 10 million individuals will use the new digital tax accounts from 2016, rising to 50 million users by 2020.

How will the new tax accounts work?

Taxpayers will be able to login to their own HMRC portal to view and amend information held by HMRC. This will effectively be a linking up exercise of the information HMRC hold already. This will include information on:

- Employment and Savings income;
- PAYE deductions;
- National Insurance Contributions;
- Pension Positions;
- Interest from banks and building societies.

In addition, third party software providers such as; payroll and accountancy software, will be able to upload information on businesses to HMRC, with this then feeding into the individuals/ business' online account.

HMRC envisage this will enable them to produce a single tax payment due from the individual/ business, consolidating various liabilities into one payment, and to track each tax liability in real time. This will cover tax liabilities in respect of:

- Income Tax;
- Class 4 National Insurance (note below comments on Class 2 National Insurance);
- PAYE;
- Corporation tax;
- VAT.

HMRC's intention is that this will allow taxpayers to see all of their liabilities on one screen, and provide better management of their tax liabilities. HMRC suggest that by enabling more taxpayers to pay their liabilities as they go, it will help manage their cash flow and help avoid a one-off tax bill. In reality, the real time ability to pay tax liabilities that would otherwise wait until a later date, such as 31st January, is more likely intended to help with HMRC's cash flow rather than a selfless act of tax simplification.

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