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WEALTH KNOWLEDGE

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In this month's Wealth Knowledge...landlords and buy-to-let investors rushed to complete before the April 2016 stamp duty changes took effect. The national living wage has now become a legal requirement for employers. A number of changes to capital gains tax and entrepreneurs' relief have been introduced for 2016/17. And, the attitudes of senior managers can often be an obstacle to the introduction of flexible working.

Stamp duty changes lead to buy-to-let surge

Changes to stamp duty introduced in April 2016 have been linked to changes in the buy-to-let market.

Introduced on 1 April 2016, a 3% stamp duty land tax (SDLT) surcharge applies to purchases of additional residential properties.

The introduction of the new rates has led to increased activity in the buy-to-let market. Countrywide reports that 50% of homes sold in the last 2 weeks of March 2016 went to landlords, compared to 18% the previous year.

Data from the Council of Mortgage Lenders (CML) shows that February 2016 saw a 61% year-on-year increase in buy-to-let loans, totalling £3.7 billion.

Paul Smees, director general of the CML, said that the April SDLT change had "boosted" activity but the CML does not "expect activity to show such strong year-on-year growth later in the year."

Johnny Morris, research director at Countryside, also highlighted the rush of activity would "likely be a temporary affect as we see reduced investor activity in future months."

Other changes

Although the changes to SDLT have received most attention, there are a number of important changes that landlords should be aware of:

Wear and tear allowance

As of April 2016, the 10% allowance for fully furnished properties has been replaced with a relief that will see landlords deducting their actual costs.

Mortgage relief

April 2017 will see restrictions on the relief for financial costs on residential properties. This will mean that landlords will not be able to deduct all of their finance costs from their property income.

Contact us today to talk about property taxes.

National living wage in full force

Paying the national living wage (NLW) to workers aged 25 and over is now a legal requirement.

A new rate of £7.20 an hour replaces the previous national minimum wage (NMW) rate of £6.70 an hour. The adult NMW rate of £6.70 will continue to apply for those aged 21 to 24 until October 2016.

The following national and living minimum wage hourly rates apply:

Age	Hourly rates until October 2016	Hourly rates from October 2016
25 and over	£7.20	£7.20
21-24 year old rate	£6.70	£6.95
18-20 year old rate	£5.30	£5.55
16-17 year old rate	£3.87	£4.00
Apprentice rate*	£3.30	£3.40

*Apprentices aged 16-18 and those aged 19 or over who are in their first year.

All employers are required to check if their staff are eligible for the NLW and must follow 3 key steps:

- prepare payroll records and take appropriate action
- inform staff about the new NLW rate
- check that staff under 25 are earning the right NMW rate.

Contact us to discuss the NLW.

Finance bill 2016: capital gains tax and entrepreneurs' relief

A number of changes to capital gains tax (CGT) and entrepreneurs' relief are set to be introduced as part of Finance Bill 2016.

The bill includes the following changes to CGT and entrepreneurs' relief:

CGT rates

The rate of CGT charged on most gains made by basic rate taxpayers will reduce from 18% to 10%, while for higher rate taxpayers it will drop from 28% to 20%.

The 18% and 28% rates will still apply to gains accrued on the disposal of residential properties that do not qualify for private residence relief, and carried interest.

These changes came into effect from 6 April 2016.

Entrepreneurs' relief and associated disposals

Relief is due (subject to conditions) on associated disposals of a privately-held asset when the disposal of the asset is to a family member. Relief can also be claimed in certain circumstances when the asset in question does not meet the current 5% minimum size condition.

These changes came into effect for disposals on/after 18 March 2015.

Entrepreneurs' relief and disposals of goodwill

Relief can be claimed on gains made from the goodwill of a business when it is transferred to a company controlled by 5 or fewer people or by its directors.

This applies to disposals made on or after 3 December 2016.

Employer shareholder status

A lifetime limit of £100,000 will be placed on the gains that an individual with employer shareholder status can make when disposing of employee shares that are exempt from CGT.

Talk to us about CGT today.

Barriers to flexible working often internal

A survey of employees has found that the main obstacles to the introduction of flexible working are often related to internal factors such as the attitudes of management.

CIPD's Employee Outlook April 2016 report found that employees cited an engrained working culture and lack of trust as obstacles for employers providing flexible working.

Common barriers to the introduction of flexible working reported by employees are:

- the nature of work employees do (27%)
- negative attitudes among senior managers (15%)
- negative attitudes among line managers and supervisors (14%).

David D'Souza, head of CIPD London, said:

"Flexible workers are happier workers but there is still far too much focus on traditional 9-5 work cultures and an ongoing challenge of business placing too much value of time spent at a desk and not enough on people's actual outputs."

Implementing institutional change

A 2016 report by The Work Foundation has examined what needs to change to allow companies to access the benefits of mobile working without losing output or efficiency.

Mobile working can bring the following benefits:

- increased productivity
- improved employee wellbeing
- talent retention and attraction
- reduction in costs.

The report highlights 3 key areas of organisational change that should be focused on:

- **leadership** – addressing pros and cons of mobile working with key roles for both management and staff identified
- **people policies** – changes to working conditions and performance management of the team
- **careful planning** – critical on strategy and ensuring employees are comfortable with technology and preferences.

Contact us today to discuss your business.

Important Notice

The way in which tax charges (or tax relief, as appropriate) are applied depends upon individual circumstances and may be subject to change in the future.

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