Summer 2014

Pharmacy Focus

Guiding you to lifelong prosperity

Contents:

HAZLEWOODS

DRIVING LIFELONG PROSPERITY

Capital expenditure - spend spend spend!

Well, that's what the Government are hoping you will do: spend spend spend!

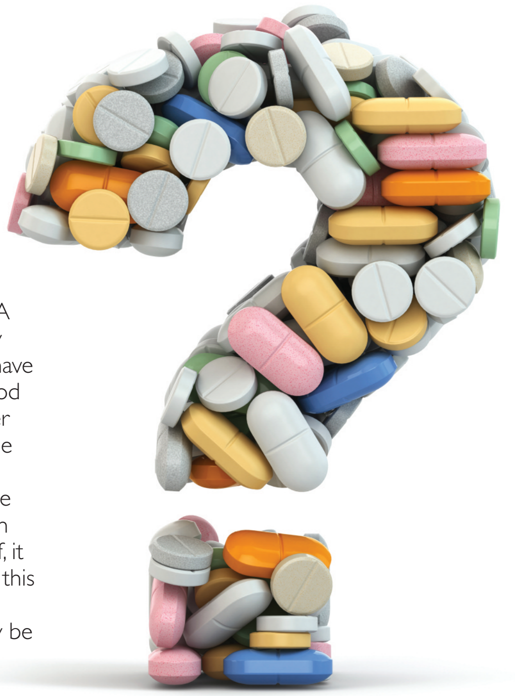
A doubling of the Annual Investment Allowance (AIA) to £500,000 took place with effect from 1 April 2014 (for companies) and 6 April 2014 (for income tax), up to 31 December 2015, being an increase from the previous £250,000.

This is great news for pharmacies investing in equipment or undertaking significant capital projects, for example extensions/refurbishments, particularly as the Government had previously indicated that the AIA would be reducing to £25,000 from 1 January 2015!

The AIA is a form of capital allowance and provides tax relief for the purchase (in cash or on hire purchase) of plant and machinery. There is no HMRC definition of what is plant and machinery, although generally most equipment and commercial vehicles (but not cars) purchased by pharmacies will be included.

Expenditure on structural items, e.g. fixed walls, do not fall under the AIA. If you are considering a significant capital project, it would still be worthwhile speaking to your accountant first to ensure that the costs are treated in the most tax efficient way.

The Government have indicated that the AIA will reduce down to £25,000 from 1 January 2016. Based on how previous AIA changes have worked, if you have a future accounting period starting after 1 January 2015 and ending after 31 December 2015, then you should plan the timing of expenditure carefully. This should ensure that you do not "lose out" on valuable AIA when transitional rules are applied when the AIA next changes. Whilst this is a way off, it is still worth bearing in mind that the AIA at this unprecedented high level is expected to be temporary - so as the old saying goes, it may be time to make hay whilst the sun shines!



Employment allowance

Following a media campaign by pharmacy bodies, the employment allowance is now available to independent pharmacies. So from 6 April 2014, the new employer's National Insurance (NI) allowance of up to £2,000 per tax year ended 5 April is available in respect of employees and directors, which can be claimed through your pharmacy's payroll.

How does this work in practice? If, for example, your employer Class 1 NI bill is say £1,500 each month, then in April 2014 you could have claimed a £1,500 reduction in your Class 1 NI bill (i.e. reducing it to £nil) with the £500 remaining allowance reducing your May 2014 Class 1 National Insurance bill to £1,000. The maximum allowance is capped at £2,000.

For pharmacies with minimal staffing costs and employer's NI of less than £2,000 per tax year, the unused allowance will automatically be carried forward to be available in future tax years.

It is worth pointing out that individuals who are self-employed cannot claim the employment allowance themselves. Pharmacies owned by self-employed individuals would normally be eligible in respect of payroll staff (but not in respect of themselves).

Additional Tax Saving Opportunities

Corporation tax rates

As expected, company corporation tax rates continue their mission to align themselves with company profit levels.

To recap, the following rates apply to standalone companies (see chart - right):

It is therefore worthwhile reviewing your financial structure, even if you have done so previously, and see what savings can be made.

	Taxable profits < £300k	Taxable profits £300k - £1.5m	Taxable profits above £1.5m
Previously	20%	25%	24%
1 April 2013 - 31 March 2014	20%	23.75%	23%
1 April 2014 - 31 March 2015	20%	21.25%	21%
From 1 April 2015	20%	20%	20%

Principal Private Residence relief

Since 6 April 2014, the final period of automatic exemption under Principal Private Residence relief is reduced from 36 months to 18 months with effect from 6 April 2014. Essentially this means that if you have a second home / property which you have lived in as your main residence at some point, previously you would have automatically been exempt from Capital Gains Tax (CGT) upon a sale of that property in relation to the last 36 months of ownership, but now it is only 18 months.

There are other matters to consider when looking at the CGT position so if you feel that this area impacts on you, it would be worthwhile speaking with your accountant.

ISAs - all change

The ISA (Individual Savings Account) annual subscription limit will increase from £11,520 to £15,000 from 1 July 2014, and at the same time, ISAs will be reformed into the 'New ISA' ('NISA') which will remove the previous restriction on only being able to invest up to 50% in cash. It will also be possible to convert stocks and shares ISAs into cash ISAs, and the range of investments available in an ISA is also expected to increase.

Retirement income - a brave new world?

Radical changes were announced in the Spring 2014 Budget which herald the biggest shake up to UK pensions ever and it could happen as soon as 2015.

These welcome proposals would give defined contribution pension savers more freedom, choice and flexibility than ever before over how they access their pension savings.

If the changes go ahead, anyone of pension age would be able to draw as much (or as little) from their defined contribution pension pot as they choose at any time. 25% would still be available as a tax free lump sum. The balance would be taxed as income in the tax year it is taken.

The detail is not set in stone; however this signals a clear Government desire to give savers more control and responsibility over their destiny in life after work. The Government have indicated that these proposals will be consulted on this year.

There are also proposed plans to cut the rate of tax payable on drawdown death benefits from April 2015, to make it more closely aligned to income tax charges on drawdown. It is still early days and very much one of "watch this space", but there are positive signs coming from the Government in this area.

Your accountant will be able to advise you on the tax implications of the changing world of pensions. You should speak with your financial adviser for pensions and investments advice.

Tax-free childcare: more to be claimed, sooner

Working families struggling to meet childcare costs are to get a welcome £2,000 a year boost from the Government.

From Autumn 2015 families are expected to receive 20% tax relief on savings used for childcare up to a maximum of £10,000, giving up to the £2,000 for each child under 12 years old. An online scheme is anticipated to be run by HMRC in partnership with National Savings & Investments (NS&I).

To be eligible, families must have both parents in work (which includes self-employment), with each earning less than £150,000 per tax year and they must not already receive support through tax credits or universal credit.

Families won't be able to be in both employer supported childcare schemes and the new tax-free childcare scheme. Some families will be better off in one or the other, so guidance is likely to be needed.

Pharmacy Show

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5th & 6th October 2014

The NEC, Birmingham

If you would like to discuss incorporating your pharmacy business
or improve your remuneration planning please contact either Phil Swan or Richard Medes.

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The services that we offer include advice on the following:

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- Finance arranging
- Buying a pharmacy
- Business and financial plans
- Pharmacy sales
- Incorporation
- Outsourcing
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