



CLIVE OWEN LLP
CHARTERED ACCOUNTANTS & BUSINESS ADVISERS

Tax for Teachers : What you need to know

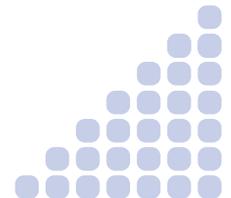




INTRODUCTION:

As a teacher, if you were to grade your understanding of the UK tax system and the reliefs available, what would it be? A*, A, B, C or lower?

It's fair to say that most taxpayers have very little understanding of the UK tax system or the reliefs available. If you are one of those, then hopefully this booklet will give some tips and advice on tax savings that you may be missing out on.



Job Expenses

Subscriptions

Every year teachers will pay subscriptions to a variety of institutions including NUT, NASUWT, ATL, GTC and many other HMRC approved bodies. If payment for the subscription is not refunded by the school, then you may be missing out on tax relief.

Clothing and equipment

If specialist clothing or equipment is required for certain teachers, that is not provided by the school, then tax relief may be available on the cost of the clothing or protective equipment.

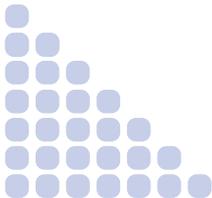
Examples include specialist eyewear or laboratory coats for science teachers or clothing for PE teachers. However, it is important that you are aware that the cost of clothing which can be worn outside of work will not be an allowable expense as HMRC regard 'ordinary' clothing (such as suits, dresses etc) as required for public decency rather than being necessary to perform employment duties.

Books

It may be that you are required to purchase your own resource material for particular lesson plans or for use in a lesson. Again, tax relief may be due as long as the books are necessarily purchased for specific teaching rather than improving your own general knowledge.

Mileage allowances

If you are required to drive your own vehicle for the purposes of school business, perhaps travelling between multi site schools or to a sports ground or to a temporary place of work, then you may be missing out on tax relief where the school does not reimburse you for the costs incurred at the HMRC authorised rates. The HMRC authorised mileage rates are 45p per mile for the first 10,000 business miles and 25p thereafter. If for example, you drove 5,000 business miles during a tax year and were paid at a rate of 20p per mile by the school, then you may be due a tax refund of £250, if you are a basic rate taxpayer. If you pay tax at a higher rate, then your refund would be higher.



Backdating a claim for tax relief

A claim for tax relief for these expenses, must be made within 4 years of the end of the tax year for which the claim is made. See the table below for examples:

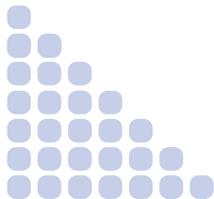
Tax Year for which expenses are claimed	Deadline for submitting claim to HMRC
Year to 5 April 2012	5 April 2016 (i.e. 5 April 2012 + 4 years)
Year to 5 April 2013	5 April 2017 (i.e. 5 April 2013 + 4 years)
Year to 5 April 2014	5 April 2018 (i.e. 5 April 2014 + 4 years)
Year to 5 April 2015	5 April 2019 (i.e. 5 April 2015 + 4 years)

The format of the claim depends upon whether you are required to complete Self Assessment Tax Returns. If you are, the claim will need to be made as an overpayment relief claim or amended tax return. If you are not, then completing form P87 or a letter setting out the expenses should suffice.



Tax Planning

Whilst this briefing focuses on tax reliefs, it is important to consider reducing taxes for the forthcoming years. We would urge you to consider important tax planning issues such as:



Pension contributions

Whilst the majority of teachers will receive tax relief at source on any pension contributions to employer schemes, those that contribute outside of the scheme to private pensions and pay tax at 40% or 45% may be entitled to additional tax relief on the pension contributions.

Teachers pensions are based on an unfunded scheme and as a result do not benefit from the pension freedoms introduced on 6th April 2015. It would be advisable to check with the Trustees your options surrounding the access to Additional Voluntary Contributions. Will the new pension freedoms apply? If not, and early retirement is a consideration, then other options may need to be contemplated.

It may be that an individual's deemed contribution under a defined benefit scheme exceeds their annual pension allowance. If so, that individual should be notified by the pension company and will have to complete a Self Assessment Tax Return to report the tax charge on the excess pension contributions.

Gift aid donations

Whilst basic rate taxpayers receive tax relief at source (i.e. a gift of £80 turns into £100 for the charity as HMRC give £20 to the charity as your tax relief), anyone paying tax at 40% or above may be missing out on tax relief for gift aid donations. A higher rate taxpayer donating £200 a year to charity, may be missing out on £50 of tax relief.

Whilst most people claiming the relief will initially think of monthly or annual payments directly to charities, it is important to also consider certain one off donations that could have been made under gift aid such as entrance fees to certain attractions or donations to friends or colleagues seeking sponsorship for activities (sporting or otherwise) undertaken to raise money for a particular charity.

Savings Income

In the current climate, even with the best savings rates of 2-3%, why risk 20-45% of any return on your savings going to HMRC? ISAs are a popular, HMRC approved way of saving monies tax free and should be considered as part of your savings portfolio.

Of course, as introduced in Budget 2015, from 6 April 2016, a new savings allowance will be introduced which means that the first £1,000 of interest income will be tax free for basic rate taxpayers. For higher rate taxpayers, this allowance is £500 but there is no corresponding allowance for additional rate taxpayers (i.e. those paying tax at 45%).

However, interest will be paid without the automatic deduction of tax, which means that it will be up to you to declare the interest to HMRC, if there is tax payable.

Spouses allowances

If you work and your spouse does not (or pays tax at a lower rate), then consideration should be given to moving any investment income into your spouse's name. For example, if you own a rental property, then it could be tax advantageous to transfer the property into the lower earning spouse's name to save tax on the profit.

It is also important to remember that this saving is particularly attractive for those couples who are married as gifts of assets between married spouses have no capital gains tax (CGT) or

inheritance tax (IHT) implications. If you are living together but not married, then any transfer of assets between the partners may have CGT and IHT implications.

You should also be aware that from 6 April 2015, a transferable married couples allowance is available where one spouse pays tax at basic rate and the other spouse does not utilise their full personal allowance.

Child benefit

New rules introduced over two years ago meant that an individual earning over £50,000 may be required to repay part or all of any child benefit claimed by themselves or the person living with them.

If you are in this position then you may be required to complete Self Assessment Tax Returns. However, there may be opportunities to reduce income for the purposes of the £50,000 threshold.

Loss of personal allowance

Those individuals who earn over £100,000 are faced with losing their personal tax allowance. Any

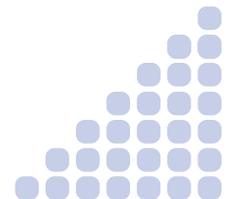
earnings taxed between £100,000 and £121,200 for 2015/16 will be taxed at an effective rate of 60%.

It is therefore imperative that those individuals consider planning opportunities. For example, a personal pension contribution of £10,000 may only cost an individual £4,000.

Advice

Please note that this is a general guide promoting ideas of tax reliefs and savings that are available. We would recommend that you contact us for a review of your personal tax circumstances to see what particular aspects of tax planning apply to your circumstances. Any initial meeting with prospective clients is free of charge so you have nothing to lose apart from some time.

If you wish to discuss your tax affairs, please call our contacts overleaf.





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