

Welcome to our monthly tax newsletter designed to keep you informed of the latest tax issues.

We hope you enjoy reading the newsletter; remember, we are here to help you so please contact us if you need further information on any of the topics covered.

Best wishes

Liz Elliott  
Tax specialist

### **SEED ENTERPRISE INVESTMENT SCHEME - MORE DEVELOPMENTS**

As we become accustomed to the staggering tax breaks available under SEIS, we learn how and when to use the scheme, either as an investor or as a new business seeking to raise funds.

Ideally, to ensure that the investment is not entirely driven by tax breaks, there needs to be an additional source of motivation. This could include:

- Wanting to help a niece or nephew starting a business.
- Knowing the people behind the new business, and trusting their business acumen.
- A desire to support the particular activity the business is involved in.

The trade must not have been in existence for 2 years or more. To reduce any potential risk, an investor may want to delay investing until after the first year's results are known. With care this can be achieved, provided that the company has not already raised the maximum permissible amount, which is £150,000.

The income tax relief on an SEIS investment is at a fixed rate of 50%, regardless of the tax rate you are actually paying. Moreover, you can eliminate capital gains tax on a gain made in the current tax year by investing the amount of the gain via SEIS. This means that if you were to lose all your money on the SEIS investment, the actual cost to you is nothing! This is because of the range of the amount of the tax reliefs available.

### **BUSINESS RECORDS CHECKS RELAUNCH**

Following on from last month's Tax E-News, if you thought the risk of HMRC coming along to review your business records had gone away, there is bad news; the Business Records Checks (BRC) programme is being relaunched across the UK, although some regions will not be targeted until 2013.

HMRC will be sending letters to small businesses that it believes may be at risk of keeping inadequate records, advising them that it will be in touch by phone. This call will take businesses through a set of questions designed to assess their record keeping affairs. It is at this stage that we recommend referring the caller to us, as providing HMRC with information that is wrong or ambiguous will not help your cause.

Depending on the outcome of the phone call, HMRC will decide on whether you would benefit from "tailored educational support" and whether a visit to the premises is necessary.

If a BRC visit is arranged, we will take care to ensure that HMRC's checklist approach provides them with a proper understanding of the records kept. We will determine this at the time of the visit, thus avoiding the risk that HMRC officers will come to the wrong conclusions when back at their own offices. Any failure on HMRC's part to fully understand the way the business operates could result in further action taken by them.

## CHILD BENEFIT CHARGE LETTERS

Child Benefit is to be withdrawn gradually in situations where one parent or partner earns more than £50,000 a year, and withdrawn entirely in cases where this figure is more than £60,000. You should note that the draft legislation has been amended, providing a safety net for households expecting the higher income partner to earn more than £60,000 (and consequently electing to waive child benefit), only to find that this income turns out to be between £50,000 and £60,000. In situations such as these, a claim for child benefit can still be made.

Our advice on this important topic can be tailored to meet your specific circumstances:

- Talk to your partner about how the new rules could affect the family's finances, as they may not know about this new rule.
- Speak to your partner about their income. You need to know if theirs is more than £50,000 and, if so, which of you earns the most. It may be better to sacrifice some of the higher salary to avoid the clawback of the child benefit charge.
- The letter from HMRC asks how much 'individual income' a recipient of the benefit or their partner may earn. Importantly, this does not just include salary. Dividends, income from rental properties including holiday homes, self-employed earnings, interest on savings and pensions all need to be taken into account. Also consider whether any Gift Aid payments have been made to charities, or whether pension contributions have been made - these can be deducted when determining the final figure.
- For those partners who do not or cannot discuss their respective incomes with each other, there will be help from HMRC. It will try to provide the minimum amount of information necessary for someone to establish whether they or their partner has the higher income. Check with HMRC how up

to date the information they have is.

- Take into consideration contract work and possible forthcoming projects affecting your income – does this take you or your partner further over the threshold?

## ANOTHER WHISTLE-BLOWER HELPS HMRC

Reports, subsequently confirmed by HMRC, say that they have received a list of the names, addresses and account balances of every British client with an account with HSBC in Jersey – 4,388 people holding £699 million with an average account balance of £337,000. If you know anyone in this position please suggest they approach us to ensure the best deal and the least amount of hassle to regularise their tax affairs.

## MAIN TAX EVENTS FOR DEC 2012 – JAN 2013

Date	What's due
1 December	Corporation tax for year to 29/2/12
19 December	PAYE & NIC deductions, and CIS return and tax, for month to 5/12/12 (due 22 December if you pay electronically)
1 January	Corporation for year to 31/3/12
19 January	PAYE & NIC deductions, and CIS return and tax, for month to 5/1/13 (due 22 January if you pay electronically)
31 January	2012 tax return
31 January	Income tax balancing payment for 2011/12, plus CGT for 2011/12
31 January	Income tax 1st payment on account for 2012/13

Please contact a member of our Tax Team if you would like to discuss any of the issues raised.

T: 0151 647 5581

E: [enquiries@mcwallace.co.uk](mailto:enquiries@mcwallace.co.uk)