

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

We hope you enjoy reading the newsletter and 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

THE KEY POINTS

HMRC UPDATED LIST OF TAX DEDUCTIBLE FEES AND SUBSCRIPTIONS PAID TO PROFESSIONAL BODIES OR LEARNED SOCIETIES

This updated list is always worth looking at in case any claims have been missed. Let us know the details of your payments and we will check that full tax relief has been claimed.

NEW HMRC TASKFORCES

The inexorable growth in the task forces now sees the following being targeted:

- fast food outlets in East Anglia
- jewellery trade in Midlands
- businesses in Northern Ireland
- fraudulent refund claims in London and South East

If you know anyone within these categories who has tax issues please ask them to contact us for help.

PERSONAL ALLOWANCE

This is fixed for 2013/14 as £9,440 if you were born after 5 April 1948 and for 2014/15 it is the long-planned £10,000. After that it will just go up by reference to the CPI.

TAX BANDS

The basic rate limit is £32,010 for 2013/14 and £31,865 for 2014/15. This means that if you are a 40% taxpayer (if taxable income does not exceed £100,000) you will only partially benefit from the increase in personal allowance.

The 45% band for 2013/14 applies to taxable income over £150,000.

PERSONAL ALLOWANCE TRAP

As you may know, there is a nasty tax trap by reference to the gradual withdrawal of the personal allowance if your taxable income exceeds £100,000. This is via a reduction of £1 of allowance for every £2 of excess taxable income.

For 2013/14 the trap potentially applies to even more taxpayers with the increase in personal allowance to £9,440:

Taxable income	Marginal rate
£100,000 to £118,880	60%
£118,881 to £149,999	40%
£150,000 +	45%

For 2014/15 the trap is even wider with the increase in personal allowance to £10,000:

Taxable income	Marginal rate
£100,000 to £120,000	60%
£120,001 to £149,999	40%
£150,000 +	45%

If you think you could fall within this trap we can advise you of all possible ways of keeping well clear.

ANNUAL CGT EXEMPTION

Modest increase over the next few years mean the value of using the exemption is about £3,000 each year, if you would otherwise pay CGT at the 28% rate. Well worth looking to pick-up such a tax saving and we can advise how to do so in your particular circumstances.

IHT NIL-RATE BAND

This is to be frozen at £325,000 until 2017/18, rather than enjoying a modest increase to £329,000 from 2015/16 as had previously been announced. It means that careful IHT planning should be close to the top of your tax planning agenda.

BUSINESS TAX REDUCTIONS

Big news here, with a flat corporation tax rate announced of 20% from April 2015 whatever your level of profits.

The employer national insurance contributions of 13.8% will enjoy an exemption of £2,000 per annum from the 1st April 2014 whatever the size of business. This is clearly aimed at small businesses to encourage recruitment.

These measures make the UK very competitive for business, and gives all businesses the opportunity to enjoy lower taxes on profits retained in the company and also where paid out.

BENEFICIAL LOANS FROM EMPLOYER

The income tax exempt threshold is to double to £10,000 from 2014/15. This can result in a useful loan to any employee or director with no tax charge on the interest saved, whatever use is made of the loan. As such it forms an attractive part of a remuneration package.

COMPANY CAR CHANGES THROUGH TO 2019/20

Further changes have been proposed to the previously announced increases in the taxable benefit of a car provided for private use by reason of an employment. These apply for 2015/16 and 2016/17, plus a commitment is announced for 2017/18, 2018/19 and 2019/20.

In essence the substantial increase in the taxable benefit previously announced from 2015/16 has been relaxed to a certain extent – by reference to ultra low CO2 emissions up to 50 g/km where a new tax charge on 5% of list price will apply for that year with increases later on.

TAX WRITE-OFF ON LOW EMISSION CARS

The 100% write-off where the CO2 emissions do not exceed 110 g/km reduced to 95 g/km from 1 April 2013, and it was planned to end completely on 31 March 2015.

However, under a change in policy the 100% write-off will continue to 31 March 2018 but with a further reduction in CO2 emissions to 75 g/km from 1 April 2015.

EMPLOYEE OWNERSHIP

A new CGT relief is planned to be introduced, but not until next year, on the sale of a controlling interest of a business into an employee ownership structure. If that appeals to you we can advise of the options and keep you right up to date with developments

TAX-FREE CHILDCARE SCHEME

This new idea will eventually be worth up to £1,200 per child, and so will save a typical working family with two children under 12 up to £2,400 a year.

It will not be phased in until Autumn 2015 and will ultimately be open to around 2.5 million families with children under 12. From the first year of operation, all children under 5 will be eligible so initially opening the scheme to 1.3 million families. The scheme will build up over time to include children under 12.

To be eligible, families will have both parents in work with each earning less than £150,000 a year, and will not already receive support through tax credits and later, Universal Credit. They will receive 20% of their yearly childcare costs up to £6,000 per child.

CHARITIES GET ONLINE GIFT AID SERVICE

HMRC have written to 110,000 charities and Community Amateur Sports Clubs (CASCs) informing them that from 22 April 2013 they can enrol to make repayment claims online through the HMRC website. The new service, called Charities Online, is being introduced in response to feedback from charities. They will be able to get information on how to use the system from the HMRC website.

Separately, the Gift Aid Small Donations Scheme is also being introduced in April. This will allow charities and CASCs to claim top-up payments on cash donations of £20 or less without the need to collect Gift Aid declarations. Charities will generally be able to claim payments on small donations up to £5,000 each year.

HMRC PROPERTY SALES CAMPAIGN

Another campaign has been announced, and this time it covers someone who has sold a residential property (UK or overseas) that is not their main home and has made a profit which has not been declared.

As always, other undeclared gains (and indeed income) can be covered under this campaign and it certainly helps to reduce penalties as well as making the disclosure easier than contacting HMRC in any other way.

COMPANY CAR ADVISORY FUEL RATES

The new rates from 1 March only show an increase of 1p per business mile (12p to 13p) for diesel fuel where the engine is up to 1,600 cc, and a small decrease in the LPG rates.

For more information or to arrange a meeting to discuss your business or personal tax planning please contact Liz Elliott on:

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