

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

10% TAX WRITE-OFF ON MACHINERY, FURNITURE AND EQUIPMENT PURCHASES

We mentioned last time the massive leap to £250,000 as the new and temporary annual amount you can spend in your business on machinery, furniture and the like, and get full tax write-off in the year.

Most businesses do not spend anything like that amount in a year, but even so you have to be very careful on the timing of capital expenditure as there are some complicated rules covering the switch from an annual limit of £25,000 to the new £250,000.

We are ready to advise by reference to your particular requirements for buying new equipment, so that we can get the best possible deal for you on tax allowances.

OPTION FOR SMALL BUSINESS TO BE TAXED ON CASH RECEIVED LESS CASH SPENT

This novel idea is going ahead from April 2013, and is available to sole traders and general partnerships with annual turnover less than £77,000. It may sound an attractive option but there are plenty of issues to consider before deciding whether or not it is right for you.

The price for a degree of simplicity is that many tax allowances on business expenses will be restricted. We will advise you on the best decision in your circumstances well before the new option comes in.

USING YOUR HOME FOR BUSINESS?

We always try to get you the best deal on this, by claiming the maximum possible for the extra costs of using your home as the base of your business but at the same time ensuring no adverse effect on the immensely valuable capital gains tax exemption when you sell your private residence and hopefully make a useful profit.

Another option is possible from April 2013, which is irrespective of your annual turnover, and that involves making a claim for flat rate expenses. A formula is used each month, which is linked to the number of hours you (or your employees if you have any) spend at your home on business.

As with any new tax opportunity we will look at it carefully to see if it benefits you.

OPERATING AS A LIMITED COMPANY BUT WISHED YOU DIDN'T?

If you recognise this as an issue, there may be help ahead. Normally if you want to go back to being a sole trader, probably on the grounds of convenience and costs, the fear has always been that a nasty tax charge could arise.

From 1 April 2013 there will be a special disincorporation relief which will avoid any tax charge provided certain conditions are met. The main one is that the assets transferred to you as a sole trader must not be worth more than £100,000.

Great care is needed if you feel this step is attractive to you.

CAR LEASING

Leasing a business car rather than purchasing what is inevitably a fast-depreciating asset in today's world, has its attractions.

One of these is that if the CO2 emissions of the car do not exceed 160 g/km the whole of the leasing payments are tax deductible (less of course any private use % applying to a sole trader or partner). That magic level is going down sharply to 130 g/km for car leases entered into from April this year, so if you are considering a car change the timing could be all-important. If the CO2 emissions exceed those levels you only get tax relief on a fixed 85% of the lease rentals – not that such a position is really a bad deal if the CO2 emissions are on the high side.

LOW EMISSION CARS

Still on the subject of cars used for business, but this time where you buy for cash or via a loan or HP agreement, rather than lease, there are new timing issues to watch out for. These affect the availability of the 100% tax write-off which is claimable currently where the CO2 emissions do not exceed 110 g/km.

That level reduces sharply to 95 g/km from 1 April 2013, with the 100% tax write-off planned to end completely on 31 March 2015. The reduction to 95 g/km eliminates cars such as the Mini Cooper 1.6D and BMW 320d Efficient Dynamics which currently qualify, so careful planning on the timing of the purchase of a low emission car is essential.

TAX DIARY OF MAIN EVENTS FOR FEBRUARY/MARCH 2013

<i>date</i>	<i>what's due</i>
1 February	Corporation tax for year to 30/4/12
19 February	PAYE & NIC deductions, and CIS return and tax, for month to 5/2/13 (due 22 February if you pay electronically)
28 February	Surcharge of 5% if 2011/12 self assessment tax not paid
1 March	Corporation tax for year to 31/5/12
19 March	PAYE & NIC deductions, and CIS return and tax, for month to 5/3/13 (due 22 March if you pay electronically)

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

E: enquiries@mcwallace.co.uk

TL 0151 647 6681

To arrange a meeting contact Liz Elliott | T: 0151 647 6681 | E: enquiries@mcwallace.co.uk