

TAX E-NEWS

Monthly Update – March 2013

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

TRAVEL COSTS FOR MEDICS MAY NOT STAND UP TO EXAMINATION

We always try to be positive in telling you about tax developments in this newsletter but of course we also need to include tax “nasties” as well. This edition seems to have a few of those, starting with medical professionals who travel to various medical centres and claim tax relief on travel costs to and from home.

That has long been an area of possible scrutiny by HMRC and now they have won an important tax case on this very topic. It concerned Dr Samadian, a self-employed consultant geriatrician, and although the tax tribunal accepted that his dedicated office at home was used for substantive professional work, nevertheless they threw out his claim for tax relief on most of his travel costs.

There may well be an appeal, and also the circumstances are always liable to be different with other medics.

NEW RESIDENCE RULES

If you plan to leave the UK (permanently or for a limited period), or indeed you are coming to live in the UK, your exposure to UK tax is very much based on your tax status as being either resident or not resident.

At last from 6 April 2013 there will be a test laid down by tax law, rather than having to rely on HMRC practice. What the new law means is that in any circumstances it should be possible to determine your tax status from the answers to a list of questions. In many cases if you leave the UK the most important point will be the length of your visits to the UK. That in turn depends on what ties you will still have with the UK, and it is true to say that most people will potentially have a better deal than under the previous practice. The new law does have some important changes to the original proposals announced some time ago.

HIGH VALUE UK RESIDENTIAL PROPERTY

If a UK residential property worth over £2 million is owned by a limited company or certain other “non-natural persons”, there is the likelihood of suffering an annual stamp duty land tax charge (the amount varies depending on the property value but starts at £15,000). PLUS paying tax at a rate of 28% on the gain made on sale.

These double burdens are aimed at stopping people using a limited company in the first place, but there are some important new exemptions recently announced and a full review needs to be undertaken to work out the optimum action to take.

ALTERNATIVE DISPUTE RESOLUTION (ADR)

This has been piloted by HMRC for 2 years now, and it has been announced that from the tax year 2013/14 it will become a permanent feature of tax administration for SMEs and individuals.

This should be welcomed as ADR does potentially provide a cost-effective way of getting tax disputes settled where there doesn't seem to be much movement on HMRC's side.

We will always consider going down this route in the right circumstances.

FURNISHED HOLIDAY LETS

A property within this special regime enjoys capital gains tax (CGT) and income tax advantages that normally are unavailable when you let a property.

It has always been frustrating that the valuable business property relief (BPR) for inheritance tax purposes does not automatically apply to furnished holiday lets, even where the property is within the special regime for CGT and income tax. Following a recent tax case the position is even worse than before, as in the case of Estate of N Pawson it was said that a holiday letting business is normally just like any other property letting business, which means that the property is mainly held as an investment and BPR is not available.

There are established ways of avoiding this real problem, involving the provision of plenty of extra services to the holidaymakers which they would not get as normal tenants of a property, and then listing them within the letting agreement.

RESEARCH & DEVELOPMENT TAX RELIEF

This has been around for several years, but never has the scope been greater for getting enhanced tax relief where a limited company incurs expenditure which qualifies for R & D relief.

For every £1,000 spent you get corporation tax relief as if you had spent £2,250. Add to that the fact that HMRC react positively to claims made and you have an unusually attractive regime you may be able to use.

TAX DIARY OF MAIN EVENTS FOR MARCH/APRIL 2013

<i>date</i>	<i>what's due</i>
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)
1 April	Corporation tax for year to 30/6/12
5 April	End of tax year 2012/13; new tax year 2013/14 starts 6 April
19 April	PAYE & NIC deductions, and CIS return and tax, for month to 5/4/13 (due 22 April if you pay electronically)

To arrange a tax planning meeting or to discuss any issues you may have please contact Liz Elliott:

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