

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

IHT BUSINESS PROPERTY RELIEF ON FURNISHED HOLIDAY LETTINGS

IHT business property relief is extremely valuable, as on your death it effectively eliminates inheritance tax on the value of the property. The problem is that, following recent case law, HMRC are likely to resist any claims on the grounds that the activity of letting properties is nothing more than an investment, even where the people using your property are holiday makers.

The only hope is to ensure that plenty of additional services are provided which would not be provided if it was an ordinary property let. They could include:

- providing breakfast (likely to be sufficient to qualify on its own, but may well not be feasible)
- taking the holiday makers on trips to local attractions during their stay
- on-site help

If you own furnished holiday lets, or are considering a purchase, we can advise on the scope for obtaining BPR, where careful forward planning is essential.

THE EMPLOYER'S £2,000 NIC ALLOWANCE

This valuable allowance is due to start for all businesses on 6 April 2014, and simply exempts the employer from the normal employer NICs of 13.8% of the earnings paid.

The mechanics are that the allowance will be obtained via standard payroll software and HMRC's RTI system. A facility will be added to the RTI Employer Payment Summary referring to the allowance in the form of a "yes/no" indicator, with payroll software providers doing the same. The employer then offsets the allowance against each monthly Class 1 secondary NICs payment until fully claimed or the tax year ends. For the following tax year the allowance is available against NICs as the liability arises during the year.

For a small company rewarding working shareholders by way of dividends, the current thinking is that from 6 April 2014 it will usually be best to receive remuneration of £10,000 per annum instead of limiting it to the NIC secondary threshold of (currently) £7,696 as is normally done. This is because earnings of £10,000 will fully utilise the new level of personal allowance, whereas dividends effectively waste the allowance. We will do the calculations for you, to reflect your own circumstances.

GUIDANCE ON THE NEW GENERAL ANTI-ABUSE RULE (GAAR)

This controversial measure allows HMRC to nullify an arrangement which is held to be abusive in terms of avoiding tax. This is all fairly subjective, but HMRC have published guidance on how they will operate the new rules which do give some comfort.

In particular they have detailed the approach to take when considering whether the new rule should apply, and to protect you from any HMRC attack we will always make sure that when giving tax advice the possible operation of the GAAR will be fully considered. The

extent of any sensible disclosure to HMRC is linked to this when preparing your annual tax return.

AUTO ENROLMENT OF EMPLOYEES INTO A PENSION SCHEME

The Auto Enrolment Scheme is also controversial but in a different way, as it imposes a legal obligation on employers to enrol employees into a pension scheme that meets certain standards.

The start date for auto enrolment varies, but all employees aged between 22 and the state pension age must be enrolled into a pension scheme, unless they earn up to the basic personal allowance of £9,440 (going up to £10,000 for 2014/15). Employees can opt out if they wish (and indeed opt in if not automatically enrolled). We will be pleased to assist you and, if not already known, advise you of the start date for your business.

HEALTH AND WELLBEING TAX PLAN

The latest campaign from HMRC is aimed at chiropodists, psychologists and homeopaths who feel they might not have declared all of their income. It offers the usual time-limited disclosure opportunity in which to bring tax affairs up to date on preferential terms. The campaign is not intended for doctors and dentists, who were covered by a previous disclosure initiative, or for nurses or social workers.

Individuals have until 31 December to join the scheme. They will then have until 6 April 2014 to make a disclosure and pay the tax owed, facing a penalty of a maximum of 20% (which is less than would apply if HMRC were to discover undeclared income themselves). If you know of anyone in this category having tax concerns, please refer them to us and we will get them the best available tax deal.

TRANSFERABLE TAX ALLOWANCE FOR COUPLES

From 2015/16, married couples and civil partners can transfer up to £1,000 of their personal allowance to their partner, but only if neither individual pays tax at the 40% rate. It is therefore a modest tax break, worth a maximum of £200 each tax year, but every little helps (as we are often reminded)! The estimate is that over 4 million couples will benefit. Oddly, there is no allowance transfer available where a man and woman are living together but are not married.

TAX DIARY OF MAIN EVENTS FOR OCTOBER / NOVEMBER 2013

<i>Date</i>	<i>What's Due</i>
1 November	Corporation tax for year to 31/01/13
19 November	PAYE & NIC deductions, and CIS return and tax, for month to 5/11/13 (due 22 November if you pay electronically)
1 December	Corporation tax for year to 28/02/13
19 December	PAYE & NIC deductions, and CIS return and tax, for month to 5/12/13 (due 22 December if you pay electronically)
30 December	Deadline to file 12/13 SA tax return online if unpaid tax up to £3000 is to be collected via 13/14 PAYE code

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

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