McEwanWallace Undivided attention
Chartered Accountants Business Advisers

TAX E-news

September 2012

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

More HMRC taskforces

No sooner had we mentioned in last month's E-News that HMRC have announced a few new taskforces to investigate tax evasion, than they come up with even more!

If you operate within any of the categories below, or know someone who does, we can do a check of your business records and identify any possible problem areas in case HMRC come calling.

The new taskforces are:

- **Motor traders in South Wales, South West England, Yorkshire, Nottinghamshire and North East England.**
- **Pubs & nightclubs in Scotland.**
- **Hair and beauty businesses in Northern Ireland.**

HMRC's Direct Selling Campaign – starting on 26 September, HMRC will target those selling products away from a shop e.g. Avon and Betterware agents. Individuals will have until 28 February 2013 to make their disclosure.

Restrictions to Capital Allowances on plant or machinery to generate electricity or heat

If your business invests in plant or machinery to generate electricity or heat (or to produce biogas or biofuel) that attracts a Feed-in Tariff (FiT) or tariffs under the Renewable Heat Incentive (RHI), watch out for new rules:

Firstly, expenditure on solar panels is redesignated so that, for capital allowances purposes, only the 8% annual tax allowance applies.

Secondly, the 100% tax write-off as energy-saving plant and machinery is specifically not available where tariff payments are received under either of the renewable energy schemes introduced by the Department of Energy and Climate Change (DECC) – FiTs or the RHI.

The restrictions apply to expenditure incurred on or after 1 April 2012 (corporation tax) or 6 April 2012 (income tax). However, for expenditure on combined heat and power equipment (CHP) only, the unavailability of the 100% tax write-off will only apply to expenditure incurred on or after 1 April 2014 (corporation tax) or 6 April 2014 (income tax).

Careful planning can reduce the impact of these measures. Please contact us for more details if you are likely to be affected.

New form P46 (short)

A one page form can now be used to gather information from an employee who does not have a form P45. It removes the need to complete information about you as the employer and instead only requires information on the employee prior to online filing. When real time information is introduced,

there will of course be no need to use a P46 in any event.

In the new simplified version the employee just needs to decide which one of the following three statements fits their current employment situation.

- **A.** This is their first job since last 6 April and they have not been receiving taxable Jobseeker's Allowance, Employment and Support Allowance, taxable Incapacity Benefit, state pension or occupational pension.
- **B.** This is their only job, but since last 6 April they have had another job, or have received taxable Jobseeker's Allowance, Employment and Support Allowance or taxable Incapacity Benefit. They do not receive state or occupational pension.
- **C.** They have another job or receive a state or occupational pension.

Changes to the PAYE system for student employees

If you employ a student at any time other than their normal holiday periods, or if a student works for you both during and outside their holidays, you should operate the normal PAYE procedures used for any other employee.

If, however, you employ a student solely during their summer, winter or Easter vacations, you may be able to pay them without having to deduct PAYE. In most cases NICs will still have to be deducted.

From 6 April 2013, Form P38(S) will be withdrawn and students will be treated in the same way as all other employees for PAYE tax and NICs purposes regardless of when they work for you.

The processes described will be different after starting to send PAYE information in real time, so HMRC suggests that this might be a good time to familiarise yourself with any changes so that you are ready to operate PAYE in real time. Please contact us for guidance.

ESC A19 developments

This is an extra-statutory concession that sets out how HMRC may exercise its discretion not to collect income and capital gains tax which is lawfully payable, due to their delay in acting on relevant information in prescribed circumstances. This includes where we can identify that HMRC did not properly deal with information received and their delay results in an unexpected underpayment.

HMRC say they are keen to ensure that this concession continues to apply in appropriate cases and that taxpayers understand it, but alarm bells are ringing from a new consultation exercise in which they reckon there should be a requirement that taxpayers check their coding notices and query obvious errors. We are keeping abreast of the possible changes and will always attempt to use the concession for your benefit whenever possible.

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Top tips for reducing your tax bill

From ISAs to capital allowances, here are our ‘easy’ top 10 ways of saving tax - for you, your family and your business. All individuals and businesses need a tax planning review to ensure you are making all the tax savings possible. Please contact the tax team for a review.

1. Maximise personal allowances

Ensure that you are making the most of the tax-free personal allowance (PA), which for 2012/13 is £8,105 for those aged under 65, or the higher rate age-related allowance which is up to £10,660, maximum income £25,400.

2. Pay into a pension scheme

Investing in a company or personal pension scheme will afford tax breaks on your personal pension contributions. For 'additional rate' taxpayers, maximising pension contributions (within limits) during 2012/13 will allow you to obtain relief at the rate of 50% (45% from April 2013).

3. Use your capital gains tax (CGT) allowance

Make the most of your CGT exemption limit each year (£10,600 in 2012/13). It may be possible to transfer assets to a spouse or civil partner or hold them in joint names prior to any sale to make full use of exemptions.

4. Invest in an ISA

Up to £11,280 can be invested in an ISA this tax year, of which up to £5,640 can be invested in cash, and most income accrues tax-free.

5. Review your business structure

The structure of your business can have a significant impact on your annual tax bills. While in the early years of a business it may be advisable to operate as a sole trader or partnership, as profits increase it may be more beneficial to form a limited company or put in place a hybrid structure.

6. Go for green transport

Switching to a 'green' company car with low CO_2 emissions can reduce your tax liability, as such vehicles are taxed at a lower percentage rate.

7. Review your capital expenditure

Review your capital expenditure to maximise claims for capital allowances. The majority of businesses are able to claim a 100% Annual Investment Allowance on the first £25,000 of expenditure on most types of plant and machinery (except cars).

8. Rent out a room

Under the 'rent a room' scheme, income from letting furnished rooms in your main residence is exempt from tax if the gross annual rent does not exceed £4,250 (£2,125 if you share the income).

9. Write a Will and keep it up-to-date

A well-drafted Will can ensure that the wealth you have built up during your lifetime benefits the right people on your death - and it can also be structured to save tax.

10. Utilise inheritance tax (IHT) exemptions

You should make the best use of IHT allowances, including the annual exemption, which allows you to give away cash or assets up to a total value of £3,000 a year without incurring any taxes.

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