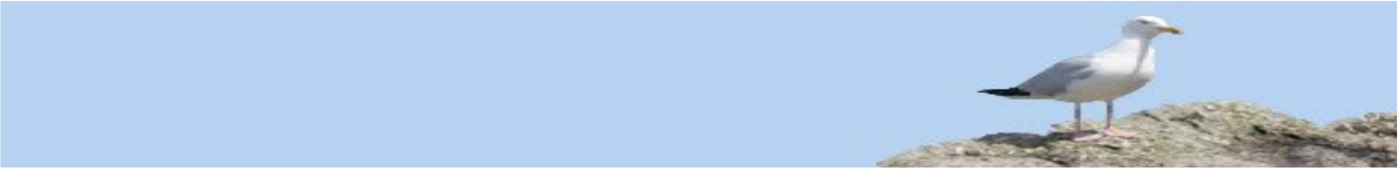
COMPASS ACCOUNTANTS
TAXANGLES
FOR PROACTIVE TAX PLANNING



NEWSLETTER APRIL/MAY 2014

QUOTATION OF THE MONTH

"Unfortunately, the clock is ticking, the hours are going by. The past increases, the future recedes. Possibilities decreasing, regrets mounting." - Haruki Murakami.

Don't allow your possibilities to decrease or your regrets to mount up! Contact Jeff Walton to make sure you don't!

THE BUDGET: WHAT HAS CHANGED?

George Osborne has laid his cards on the table and we now know what the tax landscape looks like for 2014-15 (subject to any changes before the Finance (No. 2) Bill 2013-14 receives Royal Assent). Here's a list of the main changes:

- For those born after 5 April 1948 the personal tax allowance is £10,000. It was also announced that from 6 April 2015 this would increase to £10,500.
- The much publicised change to the taxation of salaried members of Limited Liability Partnerships is confirmed. Ongoing vigilance is required to ensure that salaried members' tax status does not change from self-employed to PAYE by default.
- All partnerships will be affected by new rules that will allow HMRC, in certain circumstances, to reverse profit or loss sharing between partners if one or more of the partners is a "non-individual" – for example a limited company.
- From April 2014 employers can claim the new £2,000 Employment Allowance that can be used to set off against their employers' secondary National Insurance Contributions.
- From 27 March 2014 and ongoing throughout the 2014-15 tax year, a number of relaxations are being introduced to make the withdrawal of benefits from pension funds more flexible. Any person who is eligible to draw from their pension funds should now take advice as a matter of urgency to determine their best course of action.
- The Annual Investment Allowance is increased from 6 April 2014 (1 April if a company) to £500,000 (previously £250,000). The new ceiling will apply until 31 December 2015 when the limit could reduce to £25,000. Careful planning is required as, clearly, this measure is intended to encourage businesses to bring forward capital investment during this generous tax relief window. Again planning is required as transitional measures may reduce your entitlement to relief if your business year end date straddles the 6 April 2014 (1 April if a company).
- Loans provided by an employer to an employee, that are interest free or low cost, did not generate taxable benefits if they were below £5,000. From April 2014 this limit is increased to £10,000.
- Child care support is increased to 20% of costs capped at a maximum total cost per child of £10,000. All age groups will be brought into this scheme by autumn 2015.
- From 6 April 2014 the Private Residence Relief final period exemption for Capital Gains Tax purposes is reduced to 18 months, previously it was three years.

Helping you to shape your future….

…..not just accounting for your past!

THE BUDGET: WHAT HAS NOT CHANGED?

There are a number of tax planning opportunities and pitfalls that have not changed. A few of the more significant are listed below:

Entrepreneurs' Relief

As long as the ownership of your business is structured correctly, and for a minimum time period, then lifetime disposals not exceeding £10m will only be taxed at 10% for Capital Gains Tax purposes.

Cap on tax reliefs

Don't forget that certain tax reliefs are capped at £50,000 or 25% of your income. The reliefs affected are predominantly tax losses. There is no cap on charitable donations.

Loss of personal allowance

Care should be taken if your taxable income is likely to exceed £100,000 in the current tax year. For every £2 your income exceeds £100,000 your Personal Allowance (PA) will be reduced by £1. For 2014-15, this means that your PA will be withdrawn completely if your income exceeds £120,000.

Carry back charitable donations

It is possible to carry back charitable donations made in the tax year 2014-15 to the previous year, 2013-14. The claim to carry back must be made before or at the same time as you complete your tax return for the earlier year. The latest date you can make a claim is the statutory filing deadline. For the 2013-14 return this is 31 October 2014 if you file a paper return, or 31 January 2015 if you file your return electronically.

Inheritance Tax (IHT) lifetime gifts

It is still possible to make lifetime gifts of any amount to an individual as long as there are no strings attached. The amount of the gift that will be included in your estate for IHT purposes may gradually reduce over time. If you live for more than seven years after the gift was made, then it will be excluded completely from IHT. A tapered relief is available if death occurs between three and seven years after the gift is made.

These are just a few of the existing planning matters that you could or should consider. However, everyone's circumstances are different and if your financial affairs are complex you should consider a formal tax planning consultation, which we would be delighted to undertake for you.

HMRC IS CHANGING THE WAY THEY CHARGE INTEREST ON LATE PAID PAYE

Employers should note that HMRC is changing the way they charge interest on unpaid PAYE from 6 April 2014. We have reproduced below HMRC's recent Helpsheet:

For the tax year 2014-15 onwards:

HMRC will charge in-year, rather than annual, interest on all unpaid:

- PAYE tax and Class 1 National Insurance, including specified charges (estimates HMRC makes in the absence of a PAYE submission).
- Construction Industry Scheme charges.
- In-year late filing penalties, which start from October 2014.
- In-year late payment penalties, which will be charged automatically from April 2015.

HMRC may also charge interest on underpayments that arise because of adjustments reported on Earlier Year Updates submitted in respect of tax year 2014-15 onwards.

For annual payments such as Class 1A and Class 1B National Insurance Contributions (NICs), HMRC will continue to charge interest on any amount which remains unpaid after the due date.

Will HMRC also pay interest on overpayments in-year?

Yes. HMRC will apply repayment interest where an employer makes a payment and the charge is then reduced, and this results in an overpayment which is:

- Reallocated to a later charge.
- Repaid.

How will interest be calculated?

HMRC will charge interest from the date a payment is due and payable to the date it is paid in full.

For 2013-14 HMRC will charge interest on any amount outstanding for month 12 starting from 19/22 April 2014. Interest will only be charged on any month 12 late payment amounts and not all outstanding late payment amounts for 2013-14.

For 2014-15 HMRC will charge in-year interest each month on any late payment, starting from 19 May 2014.

STATE PENSION AND TAX

If you have recently started to receive your State Pension, you may, or may not, have noticed that it is paid without deduction of tax. This can have a number of unforeseen tax consequences:

- If your total income including your State Pension is less than your personal tax allowance then there is no tax to pay and you can spend your pension, no problem.

- If you are still in business and self-employed, and if your self-employed earnings exceed your personal allowance, then you will need to save part of your State Pension to cover tax due. The amount you will need to put by depends on your marginal rate of tax.

- If you are employed, or if you receive private pension payments, HMRC may adjust your code number(s) to recover tax due on your State Pension. However, this process does not always recover the correct amount and you may receive a bill after the end of the tax year for any arrears. And occasionally, you may have overpaid and you will receive a rebate.

If you are concerned that you may be overpaying tax, or should be reserving for future tax and are unsure how much to put by, please contact us.

TAX DIARY APRIL/MAY 2014

1 April 2014 - Due date for Corporation Tax due for the year ended 30 June 2013.

5 April 2014 - End of the current tax year 2013-14

6 April 2014 - Tax Return or Notice to Complete a Tax Return issued by HM Revenue and Customs

19 April 2014 - PAYE and NIC deductions due for month ended 5 April 2014. (If you pay your tax electronically the due date is 22 April 2014.)

19 April 2014 - Filing deadline for the CIS300 monthly return for the month ended 5 April 2014.

19 April 2014 - CIS tax deducted for the month ended 5 April 2014 is payable by today.

1 May 2014 - Due date for Corporation Tax due for the year ended 31 July 2013.

19 May 2014 - PAYE and NIC deductions due for month ended 5 May 2014. (If you pay your tax electronically the due date is 22 May 2014.)

19 May 2014 - Filing deadline for the CIS300 monthly return for the month ended 5 May 2014.

19 May 2014 - CIS tax deducted for the month ended 5 May 2014 is payable by today.

19 May 2014 - The payroll forms P35 and P14s must be filed by this date - employers late in filing these forms may receive a penalty.

31 May 2014 - Ensure all employees have been given their P60s for the 2013-14 tax year.

COMPASS ACCOUNTANTS

CHARTERED ACCOUNTANTS, REGISTERED AUDITORS AND BUSINESS ADVISORS

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