Compass Accountants

TaxAngles

For Proactive Tax Planning

Newsletter August/September 2014

Quotation of the month

"You will be fine, 'the fortune teller says. 'There may be decisions to make and surprises in store. Life takes us to unexpected places sometimes. The future is never set in stone, remember that." - Erin Morgenstern - The Night Circus.

So why don't you write your own future? Contact Jeff Walton on 01329 - 844145 NOW!

Money for Nothing!

As part of our "Money for Nothing" program we have developed a new service for business owners like you.

So, how would you like to **get money back from The Tax Man** instead of always having to pay him?

We have made a practice of delivering huge opportunities for business owners like you…and we have developed innovative ways of delivering these to you – **risk free!**

Because we are totally confident that, if these opportunities exist in your business, we can identify them for you so that you have absolutely **no risk** and you have **absolutely nothing to lose.**

Our specialist knowledge in the area of Research and Development claims will mean we can identify any opportunities which may exist in your business but which you may not have thought of.

Under this initiative we will have discussions with you to see if you are eligible to benefit from our work.
Not all businesses are eligible, but at least you would have the benefit of our experienced view **at no cost!**

If we identify that you do have grounds to make a claim we'll **then** discuss our charges for preparing the claim and progressing it until you get paid.

If we can't get money back for you, there will be absolutely no charge and that's guaranteed.

Call Kerry Daly (Director) **NOW** on 01329 844145 to arrange a meeting with **no obligation** which is also **FREE** to you.

Helping you to shape your future….
…..not just accounting for your past!

Companies House to increase free access to data

In an effort to increase corporate transparency Companies House is to make all of its digital data available free of charge. This will make the UK the first country to establish a truly open register of business information.

As a result, it will be easier for businesses and members of the public to research and scrutinise the activities and ownership of companies and connected individuals. Last year (2013/14), customers searching the Companies House website spent £8.7 million accessing company information on the register.

The change will come into effect from the second quarter of 2015 (April – June).

Business Secretary Vince Cable said:

“The Government firmly believes that the best way to maximise the value to the UK economy of the information which Companies House holds, is for it to be available as open data. By making its data freely available and free of charge, Companies House is making the UK a more transparent, efficient and effective place to do business.”

It will be interesting to see how enterprising individuals and companies use the data for business development purposes.

SITR, SEIS and EIS

From April 2014 a new investment relief has been created, the Social Investment Tax Relief (SITR). Investments must be in a social enterprise, which means a community interest company, a community benefit society, or a charity. The money raised must be used for the enterprise’s chosen trade or charitable purpose.

In many ways SITR shares characteristics with the SEIS (Seed Enterprise Investment Scheme) and the EIS (Enterprise Investment Scheme). There are, however, some differences in the Income Tax, Capital Gains Tax and investment limits for each scheme.

Another important distinction is that SITR is the only scheme that can apply to certain debt instruments as well as shares.
A summary of the present tax reliefs available under the three schemes are set out below:

Income Tax

SITR – 30%, SEIS – 50%, and EIS -30%.

Capital Gains Tax

All three schemes provide potential CGT free gains on the growth in investments, if achieved, provided they are held for the minimum holding period.

Additionally, gains on the disposal of any asset can be deferred into SITR and EIS (but not SEIS) investments.

SITR, SEIS AND EIS (CONTINUED)

In place of the full deferral relief, investors in SEIS can claim a 50% exemption of the gains reinvested.

At present the maximum amount that an individual can invest in SITR investments is £1m annually. The equivalent maximum amounts for SEIS are £100,000, and EIS £1m.

Further, the maximum amounts that the entity can raise are: SITR Euros 200,000 over 3 years (including any other de minimis state aid received), SEIS £150,000 over 3 years, and EIS £5m in any 12 month period.

Investors considering their investment options should seek professional advice as it may not be immediately clear which would be the best scheme to support their investment needs.

VAT - PICK AND MIX

There are a number of VAT schemes that benefit registered businesses. For example：

Cash accounting

If you are eligible and the scheme is suitable for your business, then using the cash accounting scheme enables you to pay VAT when your invoice is paid and not when you issue the invoice to your customers. You are also restricted when claiming back input VAT on purchases and expenses to the date you pay the bill, not the date you receive the invoice from your supplier.

You can use cash accounting if your estimated VAT taxable turnover during the next tax year is not more than £1.35 million and you can continue to use cash accounting until your VAT taxable turnover exceeds £1.6 million.

Annual accounting

Annual accounting allows you to send in just one return a year. This offers some relief from the chore of submitting quarterly returns. Using the Annual Accounting Scheme, you make either nine interim payments at monthly intervals, or three quarterly interim payments, throughout the year. You only need to complete one return at the end of each year. At that point you must pay any outstanding amount or, if you have overpaid, you will receive a refund.

You can use the Annual Accounting Scheme if your estimated VAT taxable turnover for the coming year is not more than £1.35 million. Your VAT taxable turnover includes any standard, reduced and zero-rated sales and other VAT taxable supplies, but excludes the VAT itself, VAT-exempt supplies and capital asset sales.

Once you are using annual accounting you can continue to do so as long as your estimated VAT taxable turnover remains below £1.6 million.

You can also combine these two schemes. In this way you can have the cash flow benefits of using cash accounting and some relief from the administrative chores by submitting one return a year.

Before making a decision you will need to take advice as not all businesses will benefit.

Helping you to shape your future….

…..not just accounting for your past!

Rent out a spare room at home

Tax rules for renting a room in your own home are different from renting out a property.

The "rent-a-room" scheme lets you receive £4250 of tax-free "gross" income from renting out spare rooms in your only or main home. "Gross" income means income before expenses.

The accommodation must be furnished and a lodger can occupy a single room or an entire floor of the house. But "rent-a-room" doesn't apply if the house is converted into separate flats that are rented out. The scheme also doesn't apply to unfurnished accommodation in your home.

"Rent-a-room" also does not apply where part of a home is let as an office or other business premises.

If you provide additional services (e.g. laundry, cleaning etc.), these payments must be added to the rent to work out the "gross income". If this gross income exceeds £4,250 in the year a liability to tax will arise even if the actual rent element of gross income is less than £4,250.

If your income from this source exceeds £4,250 you can either:

A. Deduct £4,250 from the gross income and pay income tax on the excess or

B. You treat renting this room as a normal rental business and deduct expenses to establish the net profit or loss.

In most cases option (A) is more beneficial although you must be clear that if you go down the "rent-a-room" route you cannot claim any expenses relating to the letting (e.g. insurance, repairs, heating etc.)

HMRC will assume and tax accordingly any rental income from a room in your home as a rental business (i.e. rental income less expenses).

You will need to elect for this income to be treated as subject to the "rent-a-room" scheme exemption. This election will continue until you decide to revert to the other option as a normal rental business.

You need to check which treatment is more favourable and make an informed decision – we can help – Call us!

Why management accounts are helpful

Management accounts, produced on a regular basis, will give you and your professional advisor the information you need to manage your business and keep your planned profit growth on-track. They also provide the basic data that you will need to minimise your tax payments and keep your business on track to produce sustainable profits. Additionally, management accounts can be used to:

Keep your bank informed

If your business is constantly pushing towards the top end of its overdraft or loan facilities, your bank manager will be much more sympathetic to your requests for more support if you can provide regular up-to-date accounts.

Plan the purchase of new plant, equipment or vehicles

The tax allowances you can claim for capital purchases can vary significantly. In particular the date on which you buy and the specification of the vehicle or equipment will need to be taken into account.

Well it's worth taking professional tax advice before you make any significant investment in this area.

Plan how you pay yourself

The options you have available to minimise tax and National Insurance on any income you draw from your business depends on the type of business structure you have opted to work with. Self-employed traders will pay tax and National Insurance on their profits regardless of the amount of cash they withdraw for personal needs; directors and shareholders of Limited Companies will pay tax on the amount of salary or dividends they take. Dividends, however, do not attract a National Insurance charge. Each business offers its own opportunities to minimise state deductions and maximise take home pay. You should certainly take advice prior to your year end to make sure you choose the right strategy; waiting until after the year end may close down beneficial options.

Compass in the News!

If you are a regular reader of the local news, there's a good chance that you may have seen us in recent editions of Portsmouth and Hampshire based press. Throughout July, both The News and Hampshire Business covered our external announcement that Stuart Lawrance and Kerry Daly have now been officially appointed as Directors of Compass Accountants.

Jeff Walton of Compass was quoted in The News saying: 'Kerry and Stuart are such assets to this organisation. Both of them have great commitment, passion and experience and are vital to the business and its ongoing success.'

Let's connect!

Some of you may have already seen that in recent weeks Compass Accountants have embraced the world of social media. We are connecting with partners, associates, clients and local businesses via our new Twitter account and LinkedIn company page.

If your business is already connected to either of these social networks, we'd be delighted to hear from you –and, if you 'Follow' us or 'Link-in', we will gladly reciprocate. We are hoping to enlighten, update and inform our followers and contacts with news, announcements, tips and guidance on how to plan for better profits and create a more valuable business.

Our Twitter feed is @CompassAcc and our LinkedIn company page can be found by searching Compass Accountants on the LinkedIn search engine or clicking here.

We are also currently planning a website a makeover, part of which will involve the launch of the 'Compass Smartphone App' which will offer tax tips, a tax calculator, news, tax tables and details on our services – all straight to your mobile phone. Stay tuned!

Helping you to shape your future….
…..not just accounting for your past!

Tax Diary August/September 2014

1 August 2014 - Due date for Corporation Tax due for the year ended 31 October 2013.

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

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

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

1 September 2014 - Due date for Corporation Tax due for the year ended 30 November 2013.

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

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

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

Compass Accountants

Chartered Accountants, Registered Auditors and Business Advisors

Venture House, The Tanneries
East Street, Titchfield Hampshire PO14 4AR

For more information on these or any taxation or accountancy matters
contact Jeff Walton, Greg Harmer, Stuart Lawrance and Kerry Daly.
Tel: 01329 844145
Fax: 01329 844148
Website: www.compassaccountants.co.uk
e-mail: jeff@compassaccountants.co.uk

Helping you to shape your future….

…..not just accounting for your past!