



COMPASS ACCOUNTANTS

TAXANGLES

FOR PROACTIVE TAX PLANNING



NEWSLETTER MARCH/APRIL 2014

QUOTATION OF THE MONTH

“Walk with the dreamers, the believers, the courageous, the cheerful, the planners, the doers, the successful people with their heads in the clouds and their feet on the ground. Let their spirit ignite a fire within you to leave this world better than we found it...” - Wilferd Peterson - writer for Science of the Mind magazine.

Call Jeff Walton if you want to build a compelling future for you and your business (01329 844145).

HOW TO SAVE TAX IF YOU ARE MARRIED

You can sometimes reduce tax you pay to HMRC by holding your assets in joint names.

But you should think carefully before you do so if you have children from a previous marriage.

Maximising your pensions allowance

If you own a business and have a personal pension attached to it, you can use it to maximise the annual pension allowance of £40,000 for each of you i.e. up to £80,000 per annum from 6th April 2014. You can put in 100% of your salary up to the annual limit each year bearing in mind the lifetime allowance of £1,250,000 which comes into effect from 6th April 2014.

Putting your assets into joint names

By putting your assets into joint names you will effectively double the annual exemption for Capital Gains Tax of £10,900 per person for tax year 2013/14 to £21,800 for **both** of you. This is an exemption which applies to capital gains realised in each tax year on the sale of jointly owned assets.

However there are certain assets which cannot be held jointly because of different tax arrangements around these assets e.g. venture capital trusts (VCT's), enterprise investment schemes (EIS).

Use up both your personal allowances

Every tax payer is entitled to a personal tax allowance of earnings which are not taxable. For those under 65 years of age this limit is £9,440 for the current tax year to 5th April 2014 rising to £10,000 after that day for the tax year 2014/15.

For taxpayers aged more than 65 there are slightly higher age-related personal allowances.

Where not all the allowance is used by one spouse but the other has taxable income (including those from savings and investments), you can transfer these assets (and their related income) to the other spouse by holding these assets in joint names.

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HOW TO SAVE TAX IF YOU ARE MARRIED (CONT)

If you own a business and your spouse does some work for the business, you may consider paying them for the work they do, to use up the annual personal allowance. This income receivable by the spouse will be an allowable expense in arriving at taxable income for the business.

You should be aware that HMRC may challenge wages paid to such spouses to assess whether they are reasonable for the work done.

Make payment into your spouse's pension to avoid losing child benefit

Since 1st January 2013 if even one spouse earns more than £50,000 they will have to pay the child benefit tax unless they opt out. This is regardless of which parent is claiming the child benefit and irrespective of the income earned by the second parent. If both spouses earn in excess of £50,000 it will be the spouse with the higher income who will have to pay the charge.

Higher earning parents who receive child benefit payments will then have these payments taken via a tax lump payment. If you are earning between £50,000 and £60,000 you will be charged tax on your child benefit at 1% for every £100 of income over £50,000.

If your salary is between £50,000 and £60,000 you could bring your taxable income below £50,000 by making an additional pension payment to avoid this tax charge. The additional benefit is that you are saving towards higher pension receipts in future years.

Warning! If this is not your first marriage....!

There are some significant tax savings to be made by optimising income spreading between spouses.

Once you put assets into joint names they become "marital assets" meaning that both spouses own such assets **equally**.

This provides no problem if you both want to leave your wealth to the same beneficiaries on your deaths.

But if this is **not** the case, you must take legal and tax advice well in advance.

BETTER BUSINESS FOCUS

How would you like to win an unfair advantage over your customers?

If your business could benefit from being able to compete better, imagine how much more profit you could generate – and then think about the impact that would have on your life!

- Exotic holidays?
- The villa in the sun?
- The sleek executive limo?
- Eating out at the best restaurants?
- Greater independence from your business?

And most importantly – creating a more valuable business.

So why don't you sign up for our "Unfair Advantage" workshop which would cost £500 plus VAT.

OR which you could have for FREE if you are one of the first 5 businesses to register during April 2014.

Contact Jeff Walton on 01329 844145.

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BETTER BUSINESS FOCUS (CONT)

Do you have what it takes to be an entrepreneur?

Take our easy test and see how you score!

This test is really a bit of fun with serious implications.

If you score well – no problem.

If you score moderately – maybe you need to go in with a “partner” who will complement your weakness – or a business coach like Compass Accountants.

If you score low – don’t give up your day job.

Here’s the link – <http://www.compassaccountants.co.uk/HowEntrepreneurialTest.xls>

VAT FLAT RATE SCHEME

This scheme can be beneficial for businesses that have a low proportion of costs that include a VAT input tax charge, and their business turnover, excluding VAT, does not exceed £150,000.

One interesting feature of the scheme is that you do not have to leave the Flat Rate scheme until your annual income, including VAT, exceeds £230,000.

The only way you can make an effective choice, to join the scheme or not, is to rework your VAT position for say the last four quarters and see how a Flat Rate calculation compares to your current method.

If you have negligible input tax to reclaim, you are within the registration threshold, and the flat rate percentage that applies to your trade sector is favourable, then converting can produce real cash savings.

If you would like to see if your business could benefit we would be happy to help you crunch the numbers.

ENTREPRENEURS’ RELIEF

Having spent many years building a business, entrepreneurs can still look forward to a maximum tax hit of just 10% when they sell their business, as long as they have organised their business affairs so that they qualify for the CGT Entrepreneurs’ Relief.

Basically, you will need to demonstrate that you meet certain criteria for the year ending on the date you dispose of your business. For example, if you run your business through a company:

1. The company must be considered to be a trading company. Exceptionally, where a company ceases to be a trading company within a period of three years before the date of disposal, the qualifying period will end on the date the company ceased to trade.
2. You will need to own at least 5% of the ordinary shares that carry at least 5% of the voting rights.
3. You will also need to have been an officer or employee of the company.

These conditions are just the tip of the compliance ice berg. We heartily recommend that you seek professional advice if you are thinking of selling your business or the assets used in a business. The key is to determine the “qualifying period” for your disposal and ensure that you meet any other criteria. There are different rules for businesses run as a sole trader or partnership.

The benefits in tax saved are well worth the investment.

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COMPENSATION FOR FLOOD VICTIMS

The following announcements were posted to the GOV.UK website last month. They provide details of some of the compensation being offered to businesses affected by last month's flooding across the UK:

Cash compensation

Measures include:

- A £5,000 repair and renewal grant for all affected householders and businesses. The aim is to top up money received from insurers to build in flood resilience when property is repaired.
- All affected businesses will qualify for 100% business rate relief for three months.
- Businesses will also get an extra three months to pay business taxes.
- A £10m fund for farmers suffering water-logged fields.
- A £750m commitment from banks to provide financial support to those in need.

A new Business Support Scheme

The scheme is worth up to £10million to provide hardship funding for SME businesses in areas affected by the floods. Both businesses that have been flooded, and businesses that are in affected areas and have suffered significant loss of trade, will be able to apply for support. Eligible businesses will be able to claim for funding for things like immediate clean-up costs, materials, and exceptional costs to help them continue trading.

Extra time for businesses to file accounts without any penalties

If any affected company is unable to file accounts or other documents on time as a direct result of the floods, Companies House will agree an extension and not collect the penalties which apply for late filings. Applications for extensions should be made before the end of the filing period.

A Government Business Support Helpline

The Helpline is providing comprehensive advice and support to businesses affected by floods. It will offer a free 1 hour call with a dedicated Business Support Adviser to help businesses get back on their feet. The helpline number is 0300 456 3565 and can take calls from flood affected businesses now.

Alongside this government action, the government also welcomes the initiative from Enterprise Nation to bring together big business offers of assistance to small firms affected by the floods. These offers of assistance include:

- Regus, the global workspace provider with 220 business centres across the UK, is coming to the aid of businesses by offering free workspace to workers affected by the floods. Those who cannot work in their normal location – whether that's an office or their home – will be given free access to the business lounge within any Regus centre, providing professional workspace, wifi and complimentary refreshments.
- Citrix has pledged to support small businesses affected by the floods by letting them use GoToMeeting free on a trial basis for up to 3 months (90 days) for quick and easy online meetings with employees and customers. GoToMeeting is quick to install and allows you to connect face-to-face and work with people important to your business via a mobile, tablet or PC wherever you or they happen to be.

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EXPECTED TAX CHANGES IN THE BUDGET 2014

The government has already published certain draft clauses for the Finance Bill 2014. We have listed below some of the more topical changes disclosed.

Changes for the tax year 2014-15:

Personal Tax:

- Individuals born after 5 April 1948 will be entitled to a personal tax allowance of £10,000.
- Employees will be able to increase the maximum value of shares acquired under Share Incentive Plans (SIP) and Save As You Earn (SAYE) schemes. The increased limits will be: SIPs - £3,600 on the free shares that can be awarded to employees and £1,800 on the partnership shares employees can purchase; SAYE – the monthly amount that employees can save will be increased to £500.
- It is proposed that the annual exemption limit for employer-related loans, to be treated as earnings, will be increased from £5,000 to £10,000.

Capital Gains Tax:

- The annual exempt amount is to be increased to £11,000.
- The rule that exempts the final 36 months of ownership of a private residence from CGT is to be reduced to 18 months. The 36 months will still apply if the owner is disabled or moved into a care home.

Business Tax:

- HMRC is introducing new legislation affecting Limited Liability Partnerships. Members of LLPs who satisfy the new criteria as “salaried members” will effectively lose their self employed status and be taxed under the PAYE legislation. There will also be restrictions on the way in which mixed partnerships, those with individual and typically corporate members, allocate profits and losses.

Changes for the tax year 2015-16:

It is proposed that spouses (including civil partners) will be able to transfer up to £1,000 of their personal allowance to their spouse (or civil partner). This will be a useful, although somewhat limited, tax planning device that will allow couples to partially equalise their taxable incomes. It will only apply where neither party is a higher rate tax payer.

NATIONAL INSURANCE ALLOWANCE

THE GOVERNMENT HAVE ADVISED THAT FROM 6 APRIL 2014 EMPLOYERS CAN CLAIM THE EMPLOYMENT ALLOWANCE AND REDUCE THEIR EMPLOYER CLASS 1 NATIONAL INSURANCE CONTRIBUTIONS (NICs).

The Employment Allowance is available from 6 April 2014. If you are eligible you can reduce your employer Class 1 NICs by up to £2,000 each tax year. You can claim the Employment Allowance if you are a business or charity (including Community Amateur Sports Clubs) that pays employer Class 1 NICs on your employees' or directors' earnings.

If your company belongs to a group of companies or your charity is part of a charities structure, only one company or charity can claim the allowance. It is up to you to decide which company or charity will claim the allowance.

You can only claim the £2,000 Employment Allowance against one PAYE scheme - even if your business runs multiple schemes. Not all businesses can claim the Employment Allowance, please refer to the link below to check if you qualify, or alternatively contact Sarah or Debbie in our payroll department who will be able to advise you further including how to claim the allowance if you qualify.

<https://www.gov.uk/employment-allowance-up-to-2000-off-your-class-1-nics>

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TAX DIARY MARCH/APRIL 2014



- 1 March 2014** - Self Assessment tax for 2012/13 paid after this date will incur a 5% surcharge.
- 1 March 2014** - Due date for Corporation Tax due for the year ended 31 May 2013.
- 19 March 2014** - PAYE and NIC deductions due for month ended 5 March 2014. (If you pay your tax electronically the due date is 22 March 2014.)
- 19 March 2014** - Filing deadline for the CIS300 monthly return for the month ended 5 March 2014.
- 19 March 2014** - CIS tax deducted for the month ended 5 March 2014 is payable by today.
- 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.
- 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.

DISCLAIMER - PLEASE NOTE: The ideas shared with you in this newsletter/email are intended to inform rather than advise. Taxpayers circumstances do vary and if you feel that tax strategies we have outlined may be beneficial it is important that you take specific advice.

COMPASS ACCOUNTANTS

CHARTERED ACCOUNTANTS, REGISTERED AUDITORS AND BUSINESS ADVISORS



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