Compass Accountants

Newsletter March - April 2015

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

TaxAngles - For proactive tax planning

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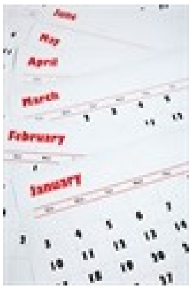
Last chance to plan for 2014-15

As we mentioned in our January 2015 newsletter there are a number of tax planning opportunities that will cease to exist once the clock passes midnight, 5 April 2015. For businesses whose year end is the 31 March 2015 these opportunities included:

- The timing of capital purchases: equipment, vehicles and so on.
- The timing of significant overhead expenditure.
- Dividend and profits extraction planning if your business is a limited company.
- And again, if you have a limited company is your director's loan account overdrawn?

In fact, all taxpayers, whether in business, employment or receiving a pension, may have opportunities to legitimately reduce their tax liabilities for 2014-15. The point of this article is to remind you that once the tax year end passes these opportunities will be lost, very often permanently.



Readers who are in business, or who have significant or complex sources of income, should have contacted and consulted with their tax advisors by now. If not, there is still just over three weeks to take action. Please call to see if there are any advantages that may be available to you.

You may be kicking yourself later this year if you pass over this planning window without taking action.

When was the last time you reviewed your Will?

Do you have any idea if your estate will have an inheritance bill when you die? How much will it be? Who will have to pay it?

Planning opportunities arise if:

1. If you have assets that you would like to give away.
2. If you have any interests in a business or company, or own agricultural property.
3. If you have assets that you would like to gift, but are concerned that other parties may seek to control those assets against your wishes.

These and many other scenarios, particular to your circumstances, may be available. The key is to explore these planning strategies before the burden of responsibility for settling tax is passed to your executors, and ultimately, your family and beneficiaries.

Quote of the month…

"When you make a choice, you change the future". - Deepak Chopra

What is tax avoidance?

None of the comments that follow should stop you considering strategies that minimise your tax position based on current law and best practice. One thing that HMRC has failed to mention in its published comments, highlighted below, is the number of taxpayers in the UK who pay too much tax because they failed to claim allowances and reliefs available. Planning is critical especially if your tax affairs are complex.

Here's what HMRC have said:

1. HMRC is serious about stopping avoidance: the Government is taking unprecedented steps to clamp down on the small minority who try to avoid paying tax that is legally due.
2. Other people are getting out of avoidance: increasing numbers of people involved in multiple avoidance schemes are approaching HMRC to settle up so that they can put the past behind them and protect their reputation.
3. HMRC wants to help tax avoiders to get out of avoidance: HMRC will work with avoiders who demonstrate a commitment to resolving their avoidance arrangements to finalise their tax liability and will provide certainty over payment terms. HMRC has set up a single point of contact to help establish the possible terms for exit from each scheme a serial avoider uses.
4. HMRC is moving more quickly to tackle serial avoiders: as they close in and increase their focus on this minority, HMRC will look ever more carefully at those who use multiple schemes.
5. The tax avoider is the one who is responsible: even if a promoter or agent has arranged the avoidance scheme for the user, the avoider remains responsible for their own tax affairs and what is put on their tax return. Serial avoiders will personally have to provide HMRC with information and documents regarding their tax affairs.
6. HMRC has a special unit looking at tax avoiders: the Serial Avoiders Unit is identifying users of multiple schemes who choose not to approach HMRC to settle their affairs.
7. Tax avoiders may personally have to attend meetings with HMRC investigators: HMRC will ask questions about their tax affairs and will be checking that they have the full facts about their arrangements.
8. HMRC will look at all the tax avoider's tax affairs: serial avoiders will be subject to a more co-ordinated approach to challenge and resolve their tax affairs. HMRC will look at their current activity, not just enquiries that are already open. And they will look at all the entities and structures the tax avoiders are connected with, to challenge any avoidance and evasion in all areas of their affairs.
9. Tax avoiders may have to pay up front: HMRC will fundamentally reduce the incentive to engage in serial tax avoidance and recover all duties legally due at the earliest opportunity. Multiple users of schemes may receive Accelerated Payment Notices before other users of a scheme.
10. There are heavy sanctions: HMRC will evaluate the behaviour of each serial avoider and this could result in penalties for careless or deliberate behaviour or for any failure to disclose avoidance. Deliberately misleading or concealing information from HMRC could lead to prosecution and criminal conviction.

These comments are a reminder, as we approach the end of another tax year, that overstepping the mark can have serious consequences.

Domestic employment arrangements

Did you know that if you take on domestic help you may be considered an employer?

Anyone who works in a private home is treated as an employee if they only work for one family, except for au pairs. This includes nannies, housekeepers, gardeners and anyone else working for one family. You're their employer if you hire them.

As an employer you would need to ensure that an employee:

- has an employment contract
- is given payslips
- does not work more than the maximum hours allowed per week
- be paid at least the National Minimum Wage

They're also entitled to employment-related benefits, if they meet the eligibility requirements. These include:

- statutory maternity pay
- statutory sick pay
- paid holiday
- redundancy pay

Additionally, domestic employers must:

- check if the person can work in the UK
- have employer's liability insurance
- register as an employer and send employer tax returns each year - even if they pay the employee in cash

Running a home with staff is the equivalent of running a business with staff, there are a multitude of legal matters you will need to consider.

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Registration opens for new married couples' tax break

HMRC have announced that registration for the new 'Marriage Allowance' for married couples and those in civil partnerships is now open.

From 6 April 2015 certain married couples and civil partners may be eligible for a new Transferable Tax Allowance referred to by the Government as the 'Marriage Allowance'. The allowance will enable eligible spouses and civil partners to transfer a fixed amount of their personal allowance to their spouse. The option to transfer is not available to unmarried couples.

The option to transfer will be available to couples where neither pays tax at the higher or additional rate. If eligible, one partner will be able to transfer 10% of their personal allowance to the other partner which means £1,060 for the 2015/16 tax year which could save them tax of up to £212 a year.

Couples can register their interest to receive the Allowance.

The government estimates that more than four million married couples and 15,000 civil partnerships will be eligible for the tax break.

Chancellor of the Exchequer George Osborne said:

'We made a promise to introduce a recognition of marriage into our tax system - and now we're delivering on that promise.

This includes updating the tax system so that it recognises marriage and civil partnerships.

Our new Marriage Allowance means saving £212 on your tax bill couldn't be simpler or more straightforward.'

From April, HMRC will contact those who have already registered for the 'Marriage Allowance' to apply. People can register at any point in the tax year and still receive the full benefit of the allowance. It is also possible to claim the allowance after the end of the tax year where claimants are unsure if they will qualify.

Applying online is simple. One person in a couple will apply online to transfer the allowance to their spouse or civil partner, and HMRC will tell the recipient about the change to their Pay As You Earn (PAYE) tax code.

Advisory fuel rates for Company Cars

New company car advisory fuel rates have been published which took effect from 1 March 2015. Due to the reduction in fuel prices many rates have reduced this quarter between two and three pence so please take care to update your expenses payments. However, the guidance states: *'You can use the previous rates for up to one month from the date the new rates apply'.* The rates only apply to employees using a company car.

The advisory fuel rates for journeys undertaken on or after 1 March 2015 are:

Petrol:

Engine size	
1400cc or less	11p
1401 cc - 2000cc	13p
Over 2000cc	20p

LPG:

Engine size	
1400cc or less	8p
1401 cc - 2000cc	10p
Over 2000cc	14p

Diesel:

Engine size	
1600cc or less	9p
1601cc - 2000cc	11p
Over 2000cc	14p

Other points to be aware of about the advisory fuel rates:

- Employers do not need a dispensation to use these rates. Employees driving employer provided cars are not entitled to use these rates to claim tax relief if employers reimburse them at lower rates. Such claims should be based on the actual costs incurred.
- The advisory rates are not binding where an employer can demonstrate that the cost of business travel in employer provided cars is higher than the guideline mileage rates. The higher cost would need to be agreed with HMRC under a dispensation.

If you would like to discuss your car policy, please contact us.

Tax Diary
March 2015/April 2015

1 March 2015 - Due date for Corporation Tax due for the year ended 31 May 2014.

2 March 2015 - Self Assessment tax for 2013/14 paid after this date will incur a 5% surcharge.

19 March 2015 - PAYE and NIC deductions due for month ended 5 March 2015. (If you pay your tax electronically the due date is 22 March 2015.)

19 March 2015 - Filing deadline for the CIS300 monthly return for the month ended 5 March 2015.

19 March 2015 - CIS tax deducted for the month ended 5 March 2015 is payable by today.

1 April 2015 - Due date for Corporation Tax due for the year ended 30 June 2014.

19 April 2015 - PAYE and NIC deductions due for month ended 5 April 2015. (If you pay your tax electronically the due date is 22 April 2015.)

19 April 2015 - Filing deadline for the CIS300 monthly return for the month ended 5 April 2015.

19 April 2015 - CIS tax deducted for the month ended 5 April 2015 is payable by today.

Contact us

For further information on any of the stories in this month's newsletter, or for any other matter that Compass Accountants can assist you with, please contact Jeff Walton on 01329 844145.

Contact us:
TEL: 01329 844145
EMAIL: contact@compassaccountants.co.uk

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