

Dear Client,

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

John Harrison

CONFIRMATION OF INCOME FOR MORTGAGE PURPOSES

Many mortgage lenders are now requesting a copy of the official HMRC tax calculation (SA302) as confirmation of income for mortgage applicants; Previously, they would have accepted income confirmation by the borrower's accountant. There is thus a conflict between planning to minimise income for tax purposes and declaring a higher level of income to support a mortgage application.

A further problem is that the SA302 HMRC calculation cannot be downloaded from the HMRC website when third party software has been used to submit tax returns, and copies are not routinely sent out by HMRC. To obtain a SA302 calculation you are required to phone HMRC and ask for the form to be sent out by post. This usually takes about 14 days.

The accountancy bodies are calling for HMRC to allow accountants to download and print off the SA302 for their clients to support their mortgage applications.

CAPITAL GAINS TAX TO BE PAID BY NON-RESIDENTS ON UK RESIDENTIAL PROPERTY

As previously announced, it has been proposed that from 6 April 2015 CGT will be charged on non-residents who make disposals of UK residential properties. HMRC have issued a consultation document to consider how the charge can be implemented and the tax collected.

Part of the proposal may also affect UK residents who own more than one residential property. Currently, where a taxpayer has more than one residence, it is possible to elect which of those properties is to be treated as their principal residence so that private residence relief (PRR) will apply to the gain on the elected property. To prevent non-UK residents from electing their UK residence as their PRR, it is proposed that the current election system is removed and replaced with the requirement that the taxpayer demonstrates the main residence they have occupied during the year. If implemented, this proposal could have a serious impact on a number of individuals, such as MPs and others who keep a flat in London which is occupied during the working week and another residence in the country for the weekend and where the rest of the family live during the week.

15% STAMP DUTY LAND TAX FOR CERTAIN PURCHASERS

Finance Act 2012 introduced a 15 per cent rate of SDLT on the acquisition by certain non-natural persons (broadly companies) of dwellings costing more than £2 million. Finance Bill 2014 reduced this threshold to £500,000. The previous £2 million threshold will continue to apply, subject to exceptions, where contracts were entered into before 20 March 2014.

Acquisitions by trustees or for the purposes of letting, trading or redevelopment, trades involving making a dwelling available to the public, providing dwellings for occupation by certain employees or use as a farmhouse are excluded from the higher rate charge.

VAT AND DISCOUNTS FOR PROMPT PAYMENT

Many traders offer a discount for prompt payment. Under current UK VAT rules, output tax is accounted for on the discounted price, whether or not the customer takes advantage of the discount.

Legislation in Finance Bill 2014 proposes to amend the UK VAT legislation on prompt payment discounts so that it is aligned with EU legislation, taking effect from 1 April 2015. The amendment will ensure VAT is accounted for on the full consideration paid for goods and services where prompt payment discounts are offered, irrespective of whether or not the discount is taken up. This change will have a significant impact on invoicing, and credit notes may have to be issued to customers taking up the discount.

Although the start date is planned for 1 April 2015, HMRC have the power to bring the change in before that date for such supplies as may be specified.

CGT ENTREPRENEURS RELIEF APPLIES UP TO 3 YEARS FOLLOWING CESSATION

Capital gains tax entrepreneurs' relief provides for a 10% rate on the disposal of a business, including a sole trade or shares in a trading company. The relief extends to the disposals within 36 months of cessation of trading, provided the business qualified for entrepreneurs' relief for the 12 months up to the cessation date.

A recent case before the Tax Tribunal reminds us of the importance of timing in tax planning. A Mr Rice owned a car dealership in Peterborough which ceased trading in May 2005, but the premises from which the business traded were not sold until April 2008 - just within the 36 month period so the relief was available!

PAYMENT OF SELF-EMPLOYED CLASS 2 NATIONAL INSURANCE

Class 2 NIC for the tax year 2014/15 is charged at the rate of £2.75 per week. It is possible for those with earnings below the small earnings limit of £5,885 (for 2014/15), to apply for the small earnings exception using form CF10.

Some taxpayers are both employed and also self-employed and so will have a PAYE code. From April 2014, HMRC can collect outstanding Class 2 NIC by adjusting the PAYE tax code. If a Class 2 National Insurance contributions debt is being collected through a tax code, HMRC will have written to the taxpayer earlier in the year requesting payment. If you do not want your Class 2 National Insurance contributions debt to be included in your tax code, then you will need to pay the amount due in full.

<i>Date</i>	<i>What's Due</i>
01 May	Corporation tax for year to 31/7/13
19 May	PAYE & NIC deductions, and CIS return and tax, for month to 5/5/14 (due 22 May if you pay electronically)
01 June	Corporation tax for year to 31/8/13
19 June	PAYE & NIC deductions, and CIS return and tax, for month to 5/6/14 (due 22 June if you pay electronically)

Please contact a member of our Tax Team if you would like to discuss any of the issues raised.