

Tax E-News

Welcome to our monthly newswire. We hope you enjoy reading this newsletter and find it useful.

November 2016



CHRISTMAS IS COMING! - NEW RULES FOR GIFTS TO STAFF

From 6 April 2016 new rules were introduced to allow employers to provide their directors and employees with certain "trivial" benefits in kind, tax-free.

The new rules are a simplification measure so that certain benefits in kind will not need to be reported to HMRC, as well as being tax free for the employee. There are of course a number of conditions that need to be satisfied to qualify for the exemption.

CONDITIONS FOR THE EXEMPTION TO APPLY:

- the cost of providing the benefit does not exceed £50
- the benefit is not cash or a cash voucher
- the employee is not entitled to the benefit as part of any contractual obligation such as a salary sacrifice scheme
- the benefit is not provided in recognition of particular services performed by the employee as

part of their employment duties (or in anticipation of such services)

So this exemption will generally apply to small gifts to staff at Christmas or on their birthday.

Prior to this change in the rules, the benefit in kind would have had to be reported on the employee's P11D form at the end of the year, or alternatively the employer would have dealt with the tax and national insurance under a PAYE settlement agreement. Under such an arrangement a £50 Christmas turkey to a higher rate taxpayer could end up costing the employer nearly £95!

Note that where the employer is a "close" company and the benefit is provided to an individual who is a director or other office holder of the company, the exemption is capped at a total cost of £300 in the tax year.

Please feel free to contact us if you are considering taking advantage of this new exemption.



SPLITTING THE INCOME OF MARRIED COUPLES

Where a married couple hold savings accounts and other investments in joint names, the income from those investments is split 50:50 for tax purposes, unless there is an election to allocate the income in

accordance with their beneficial interests. This is particularly important where the couples' marginal tax rates are different now that there are different personal savings allowances.

Where the husband pays tax at 40% and the wife is only a 20% basic rate taxpayer, there can be significant tax savings.

HMRC need to be notified that the split of income is other than 50:50 and we can of course help you complete the appropriate forms.

Note that in the case of buy to let properties the election can only be made where the property is owned as "tenants in common" and you may need to get your solicitor to check the ownership position.



HAVE YOU DECLARED ALL OF YOUR CREDIT CARD SALES?

Where credit card sales have been omitted from business takings, HMRC are encouraging taxpayers to come forward and make a disclosure of the income that has been omitted to avoid incurring interest and penalties on top of the unpaid tax.

As you may be aware HMRC now receive information from third parties

such as banks and credit card companies and will then match that data with business accounts, and will then open detailed enquiries if the figures appear to be inconsistent. They can go back up to 20 years and the more serious cases can lead to criminal prosecution.

If you have other undeclared income or gains that don't relate to credit card sales, there are other HMRC disclosure facilities to enable you to bring your tax affairs up to date.

Please get in touch with us if you wish to discuss this as full co-operation can help minimise penalties.

HAVE YOU DECLARED YOUR OVERSEAS INCOME AND GAINS?

Where an individual is resident in the UK, he or she is generally taxable on worldwide income and gains whether or not it is brought back into the UK. Again, there can be significant interest and penalties on top of the unpaid tax if HMRC find out.

HMRC now exchange information involving savings and investments overseas with about 90 other countries and again match that data with individuals' tax returns.

There is a special HMRC worldwide disclosure facility to allow taxpayers to bring their tax affairs up to date.

Note that there are special rules for individuals who are resident but not domiciled in the UK and those people's tax status is likely to change from April 2017. Please contact us if you need advice on this matter.

DON'T MISS OUT ON TAX RELIEF ON R&D

The government is concerned that many small companies are missing out on generous R&D tax credits. For the last year HMRC have been offering companies an advance assurance scheme to check whether or not their activities

qualify before they make a claim. So far over 200 applications for advance assurance have been made.

There is a general misconception that R&D involves scientists in white coats but it should be remembered that R&D may be necessary to resolve a problem with a product or a process.

So some of the work by your engineers or technical staff may qualify as R&D. For Small and Medium-sized Enterprises (SMEs) the tax credit is 230% of the expenditure on qualifying R&D, and where the company incurs a trading loss, HMRC will provide an immediate cash refund rather than waiting until there is a profit in a future period.

By applying for advance assurance the company's R&D claim will not be subject to an HMRC enquiry and HMRC will then accept the first three years of claims.

Companies eligible to apply for advance assurance:

- turnover below £2m
- fewer than 50 employees
- no previous R&D claims

Then claim "patent box" in respect of your innovation

If the R&D results in a product or process that can be patented there is a further tax break available. The "Patent Box", introduced in 2013, will provide a 10% rate of tax on profits derived from that product or process.

Please contact us if you would like to discuss whether these generous tax breaks could be available to your company.

QUARTERLY REPORT BY EMPLOYMENT INTERMEDIARIES

Ever since 6 April 2015 employment agencies and other intermediaries have been required to make quarterly

reports of payments made directly to workers or via partnerships, LLPs and companies where no tax has been deducted from the payments.

HMRC have recently updated their guidance to intermediaries to make it clear that, where an employment intermediary has supplied no workers in a specific quarter, a "nil report" must still be filed by the reporting period's deadline.

Separate HMRC guidance on how to use the employment intermediaries online report template has also been updated.

DIARY OF MAIN TAX EVENTS NOVEMBER/ DECEMBER 2016

Date	What's Due
1/11	Corporation tax for year to 31/01/16
19/11	PAYE & NIC deductions, and CIS return and tax, for month to 5/11/16 (due 22/11 if you pay electronically)
1/12	Corporation tax for year to 30/11/16
19/12	PAYE & NIC deductions, and CIS return and tax, for month to 5/12/16 (due 22/12 if you pay electronically)
30/12	Deadline for filing 2015/16 tax return online in order to request that HMRC collect outstanding tax via the 2016/17 PAYE code

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

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