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Tax E-News

Happy New Year and welcome to our first monthly newswire of 2018. We hope you enjoy reading this newsletter and find it useful.

January 2018

NEW YEAR RESOLUTIONS TO SAVE TAX

At this time of year we think about New Year's resolutions. It is also a good time to start planning your tax affairs before the end of the tax year on 5th April.

An obvious tax planning point would be to maximise your ISA allowances for the 2017/18 tax year (currently £20,000 each).

You might also want to consider increasing your pension savings before 5 April 2018 as the unused annual pension allowance is lost after three years.

For those looking to do some inheritance tax planning it would be a good time to review (or make) your Will in the light of the recent change in the IHT nil rate band.

PENSION PLANNING

For most taxpayers the maximum pension contrbution is £40,000 each tax year, although this depends on their earnings. This limit covers both contributions by the individual and their employer. Note that the unused allowance for a particular tax year may be carried forward for three years and can be added to the relief for the current, but then lapses if unused. Note also that for higher rate taxpayers the net cost of saving £10,000 in a pension is only £6,000 but this higher rate relief may not last for ever.

PASSING ON THE FAMILY HOME

New inheritance tax rules for passing on the family home started on 6 April 2017. This new relief should be taken into consideration when drafting your Will and we can work with your solicitor to make sure your Will is tax efficient.

From 6 April 2017 an additional nil rate band of £100,000 is now available on death where your residence is left to direct descendants. This is in addition to the normal £325,000 nil rate band and will increase over the next 4 years to £175,000 in 2020. This additional relief is however restricted If your assets exceed £2 million. The rules are fairly complicated but we can review your personal circumstances to ensure that you take advantage of all the relief that you are entitled to.

WHAT ABOUT DOWNSIZING TO A SMALLER PROPERTY?

The new inheritance tax relief for passing on the family home is protected even when you downsize to a smaller property.

For example, if a married couple currently live in a large house worth £500,000 and downsize to a flat worth £250,000 they could give away some of the proceeds during their lifetime and yet still benefit from inheritance tax relief based on the higher valued property. They could even sell up completely and move into a rental property and still get the inheritance tax relief!

CONSIDER MAKING REGULAR GIFTS OUT OF SURPLUS INCOME

Whilst on the subject of inheritance tax planning why not consider setting up a standing order to family members? Such regular gifts can be outside of the scope of inheritance tax provided they are made out of surplus income and not out of capital. It would be necessary to demonstrate that you are left with sufficient income after tax and living expenses to maintain your normal lifestyle. Unlike the £3,000 annual inheritance tax allowance there is no monetary limit for regular gifts out of income, provided the conditions are satisfied.

Again we can review your personal circumstances to see if you are able to take advantage of this tax relief.

TAX RELIEF FOR ENERGY SAVING TECHNOLOGY

For a number of years there has been a generous 100% tax break for businesses that install energy saving technology in their premises. This is in addition to the £200,000 annual investment allowance for plant and machinery.

The technology that qualifies for this 100% tax break includes energy efficient boilers and energy saving lighting systems. This is set out in the government's energy-saving technology list. The list is updated each year. It was announced in the Autumn Budget that new technologies were being added but also certain items such as Biomass fired warm air heaters would no longer qualify from 1 April 2018.

Note also that where the expenditure has the effect of creating or increasing a loss for corporation tax purposes, the company can obtain a repayable first year tax credit. This credit, based on the amount of the loss attributable to the energy-saving technology spend, reduces to 2/3 of the corporation tax rate from 1 April 2018. Thus the relief reduces from 19% to just 12.67% from 1 April 2018.

RELIEF FROM ADDITIONAL 3% SDLT CHARGE

Much of the focus in the Autumn Budget on Stamp Duty Land Tax (SDLT) concerned the abolition of the duty for first time buyers of property up to £300,000. There was also welcome news for those involved in other property transfers where the 3% supplementary SDLT charge potentially applies when an interest in a second property is acquired.

The 3% supplementary charge will not now apply where a court order issued on a divorce or dissolution of a civil partnership prevents someone from disposing of their interest in a main residence or a spouse buys property from their spouse. There are a couple of other situations where the 3% supplement does not apply. This is something to check with your solicitor.

ADVISORY FUEL RATE FOR COMPANY CARS

These are the suggested reimbursement rates for employees' private mileage using their company car from 1 December 2017. Where there has been a change the previous rate is shown in brackets.

Engine Size	Petrol	Diesel	LPG
1400cc or less	11p		7p
1600cc or less		9p	
1401cc to 2000cc	14p (13p)		9p (8p)
1601 to 2000cc		11p	
Over 2000cc	21p	13p (12p)	14p (13p)

Note that for hybrid cars you must use the petrol or diesel rate.
You can continue to use the previous rates for up to 1 month from the date the new rates apply.

NO INDEXATION OF COMPANY GAINS AFTER DECEMBER 2017

Indexation allowance was introduced in the 1970s to provide relief from paying tax on inflationary gains based on increases in RPI. The relief was abolished in 1998 for individuals and trusts, and replaced with taper relief. However, it was retained for companies. The Autumn Budget announced that indexation for corporation tax would cease for disposals from January 2018 onwards, although indexation up to December 2017 would be retained.

Although the change will apply to all chargeable assets owned by companies, it will have a significant impact on property investment companies where indexation allowance acted as a shelter from inflationary gains.

DIARY OF MAIN TAX EVENTS JANUARY/FEBRUARY 2018

Date	What's Due
1/01	Corporation tax payment for year to 31/3/17 (unless quarterly instalments apply)
19/01	PAYE & NIC deductions, and CIS return and tax, for month to 5/01/18 (due 22/01 if you pay electronically)

31/01	Deadline for Self-Assessment tax return for 2016/17 if filed online. Also the due date for 2016/17 balancing payment and 50% payment on account of 2017/18 tax.

1/02	Corporation tax payment for year to 30/4/17 (unless quarterly instalments apply)

19/02	PAYE & NIC deductions, and CIS return and tax, for month to 5/02/18 (due 22/02 if you pay electronically)