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John Harrison & Co
CHARTERED ACCOUNTANTS

Tax E-News

Happy New Year and welcome to our first monthly newswire of 2019. We hope you enjoy reading this newsletter and find it useful.

January 2019

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 2018/19 tax year (currently £20,000 each).

You might also want to consider increasing your pension savings before 5 April 2019 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.

PENSION PLANNING

For most taxpayers the maximum pension contribution is £40,000 each tax year, although this depends on their earnings. This limit covers contributions by both 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 year, but then lapses if unused. Hence the unused pension allowance for 2015/16 will lapse on 5 April 2019 if unused. Note that under the current rules the net after tax cost of saving £10,000 in a personal pension for a higher rate taxpayer is only £6,000 but there are rumours that this generous relief may be reduced in future.

INCREASED CAPITAL ALLOWANCES START 1 JANUARY 2019

The Chancellor announced a temporary increase in the Annual Investment Allowance (AIA) for expenditure on plant and machinery to £1 million from 1 January 2019. However transitional rules mean that the full amount will not necessarily apply to your business straight away.

For example, if your business year end is 30 June 2019 the maximum AIA would be £600,000 being 6/12 x the old £200,000 limit plus 6/12 x the new £1 million limit. The following year to 30 June 2020 would be entitled to the full £1 million.

NEW CAPITAL ALLOWANCE FOR COMMERCIAL BUILDINGS

The Autumn 2018 Budget announced a new 2% straight line tax deduction for the cost of construction or renovation of commercial buildings and structures. HMRC have now issued a technical note setting out the details for the operation of the new relief.

Unlike the old Industrial Buildings Allowance the new relief is available for the construction of shops and offices as well as factories and warehouses.

The new tax break is available where the contract is entered into and construction costs are incurred on or after 29 October 2019. The allowance is available to commercial property landlords as well as trading businesses. There are special rules for leasehold buildings which determine whether the landlord or tenant is entitled to the allowance.

Note that there are more generous plant and machinery allowances available for fixtures and fittings within the building and we can work with you to help you maximise tax relief. The AIA referred above would mean that there may be 100% capital allowances for equipment such as central heating and air conditioning.

CAPITAL ALLOWANCE ON HIGH CO2 CARS AND ASSETS IN SPECIAL RATE POOL REDUCES TO 6%

One of the other capital allowance changes announced in the Autumn Budget was the reduction of the writing down allowance on assets in the special rate pool from 8% to just 6% per annum reducing balance from April 2019.

The assets included in this pool include long life assets, such as aircraft, integral features within buildings and cars emitting more than 110g CO_2 per kilometre.
A claim for the 100% AIA referred to above can be made for expenditure on these assets, (with

the exception of motor cars) and this will result in faster tax relief. This means that where a company buys a motor car that emits more than 110g CO2 per km it will take many years to get relief for the expenditure as even when the car is sold the proceeds are deducted from the special rate pool and continue to be written down at 6% reducing balance.

For example Global Ltd which makes up accounts to 31 March each year buys a new Mercedes E220d AMG line for the managing director Mr Global for £40,000. As the CO2 emissions are 127g per km the WDA would be 8% for year ended 31 March 2019 = £3,200 leaving a tax written down value of £36,800. The 6% WDA would then apply for year ended 31 March 2020 = £2,208 leaving £34,592. If the car was sold for £25,000 in the following year then the remaining balance of £9,592 would continue to be written down at 6% per annum, hence a very long write off period.

It may be more tax efficient to lease such a vehicle as, although 15% of the lease rentals are disallowed for tax purposes for such high CO2 vehicles, this may nevertheless be more beneficial.

Note that the above rules operate differently where the motor car is acquired by a sole trader or a partner for his business as the car is not included in the pool and a balancing adjustment occurs when the car is sold.

ADVISORY FUEL RATE FOR COMPANY CARS

These are the suggested reimbursement rates for employees' private mileage using their company car from 1 December 2018. Where there has been a change the previous rate is shown in brackets.

Engine Size	Petrol	Diesel	LPG
1400cc or less	12p		8p (7p)
1600cc or less		10p	
1401cc to 2000cc	15p		10p (9p)
1601 to 2000cc		12p	
Over 2000cc	22p	14p (13p)	15p (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.

PASSING ON THE FAMILY HOME

New inheritance tax rules for passing on the family home started on 6 April 2017. This additional 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 up to £175,000 is available on death where your residence is left to direct descendants. This is in addition to the normal £325,000 nil rate band.

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.

This additional inheritance tax relief is available 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!

DIARY OF MAIN TAX EVENTS
JANUARY / FEBRUARY 2019

Date	What's Due
1/01	Corporation tax payment for year to 31/3/18 (unless quarterly instalments apply)
19/01	PAYE & NIC deductions, and CIS return and tax, for month to 5/01/19 (due 22/01 if you pay electronically)
31/01	Deadline for Self-Assessment tax return for 2017/18 if filed online. Also the due date for 2017/18 balancing payment and 50% payment on account of 2018/19 tax.
1/02	Corporation tax payment for year to 30/4/18 (unless quarterly instalments apply)
19/02	PAYE & NIC deductions, and CIS return and tax, for month to 5/02/19 (due 22/02 if you pay electronically)

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