TRANTER LOWE
CHARTERED ACCOUNTANTS

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Amnesty Update

Landlords who rent out residential property, and feel they have undeclared income are being offered an amnesty by HM Revenue and Customs (HMRC).

The campaign is open to all residential property landlords – from those that have multiple properties, to single rentals, and from specialist landlords such as student or workforce rentals, to holiday lettings. If you feel that you may have forgotten to include one or more properties in your tax return information, irrespective of if they make profits or not, then please speak to your client manager as a matter of urgency so that this matter can be resolved.

Buying or selling a commercial property?

Fixtures in a commercial property are often mistakenly thought to be only in factories or large office blocks, for example air conditioning units, specialised lighting or lift shafts: but there are fixtures in other types of commercial property for example, furnished holiday lettings, hotels and nursing homes. Fixtures are described as the items which are permanently attached to the property and to remove them would cause damage to the fabric of the property.

Capital Allowances give relief against tax for the depreciation in value of a fixture over its life time.

New rules were introduced from April 2012 for the buyer of a commercial property when making a claim for Capital Allowances on fixtures. The first part of the changes to the rules came into play on 1 April 2012 and was called the Fixed Value Requirement. The rules will be fully implemented from 1 April 2014 with the addition of the mandatory pooling requirement.

On sale of a commercial property the fixtures have to be given a disposal value but since its introduction in April 2012, the Fixed Value Requirement requires the buyer of the commercial property to take formal steps to establish the value of the fixtures within two years of acquiring the property. If the seller and the buyer can't agree on the value then either party can refer to the first tier tribunal (which is part of the UK court system) for a binding valuation.

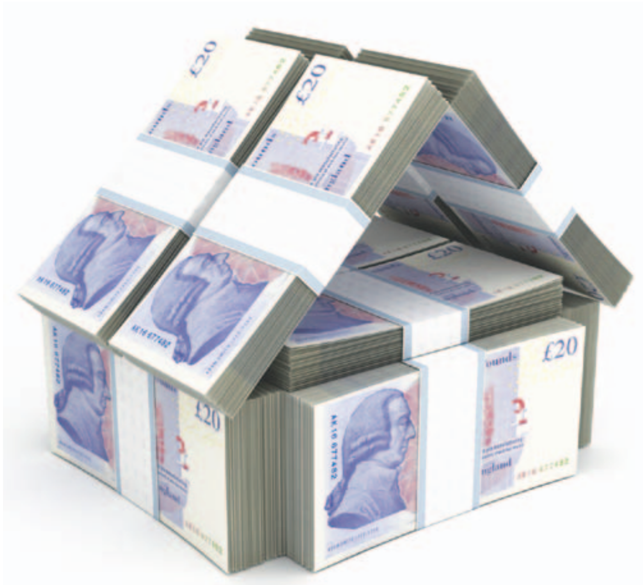
From April 2014 the seller must add together or "pool" the value of the expenditure on fixtures – even if he has not claimed the Capital Allowances available to him as a deduction. The buyer is prevented from claiming Capital Allowances for fixtures unless the seller has first identified and pooled the expenditure.

As a seller of a commercial property it is prudent to ensure you have claimed all of the allowances due to you before identifying the fixture values to establish the pool which will be required by the solicitor in support of the other sale details.

As a purchaser of a commercial building it would be prudent to insist on the fixtures information being available for inspection prior to a purchase being agreed to protect the future capital allowances claims but also to ensure there are no issues on a future sale of the property.

Prior to any future sale you may have to pay to have a survey of fixtures carried out and because by then the sale will be imminent you will receive no financial benefit from this survey. Therefore we strongly recommend that all owners of commercial buildings carry out a survey now to ensure a full record of the fixtures of your commercial property are recorded and to detail any new fixtures.

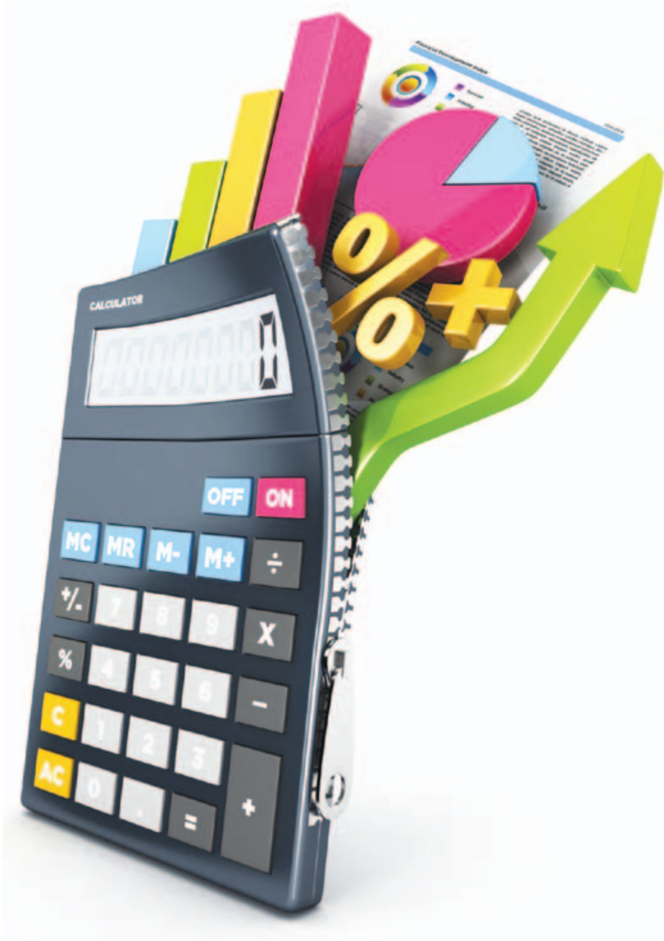
A Capital Allowance claim for any previously unidentified fixtures will result in a reduction in the tax payable and may even attract a refund of tax paid. Why not speak to your client manager to arrange a visit by one of our team of fixtures specialists and secure the tax allowance you may otherwise miss out on?



Pensions fixed protection – don't pay the charge!

From April 2014 any amount of your pension savings over £1.5 million may be charged to tax at **55%** when they are taken as a lump sum! From August 2013 it is possible to file a claim with HM Revenue and Customs (HMRC) which protects the value of your pension savings from the potential of paying the lifetime allowance charge.

The application must be made by April 2014, so if you think your pension savings may amount to in excess of £1.5 million please speak to your client manager so that the relevant application can be made on your behalf.



And don't forget tax relief on pension contributions is available on contributions up to the annual allowance. Any unused allowance can be carried forward for up to three years which means that where a member of a registered pension scheme has not made any contributions in the previous three years it is possible to make tax-relieved contributions of up to £200,000 (if income allows) in 2013/14 – three years carried forward of £50,000 per year plus the current years allowance.

It's worth remembering that pension contributions can be a valuable tax planning tool, for example, by using them to preserve entitlement to personal tax allowances for those with an income greater than £100,000. We are happy to work with your own Independent Financial Advisor (IFA) to ensure you receive the correct tax benefits as a result of your pension contributions or talk to your client manager if you do not currently have your own IFA.

Going it alone?

Disincorporation is now a viable option for companies who have assets which are not valued in excess of £100,000. These assets are goodwill, land and buildings used in business. The window to achieve this Corporation Tax benefit is limited to 5 years and expires on 31 March 2018.

As a sole trader, an individual is responsible for the tax on the profits of the business after deducting a personal tax allowance which currently amounts to £9440.

It should be remembered that for sole director companies where a small salary of £9440 has been taken, the director can be paid a net dividend of £32,010 and pay no income tax.

Dividends are paid out of the company's profits after deduction of Corporation Tax and so the company would need pre-tax profits of just over £40000 to enable this dividend to be paid. £8000 Corporation Tax would have been paid.

A joint claim between the company and the shareholders will be necessary, so please speak to your client manager who will be able to assess if you should make this election to change the nature of your business.

Sale of assets used in a partnership

Generally, when an asset is sold and a gain arises that gain is taxed at either 18% or 28% depending on the individual's level of income. However, if a partner in a business owns an asset personally it may still be possible to claim a relief called Entrepreneurs Relief, when that asset is sold.

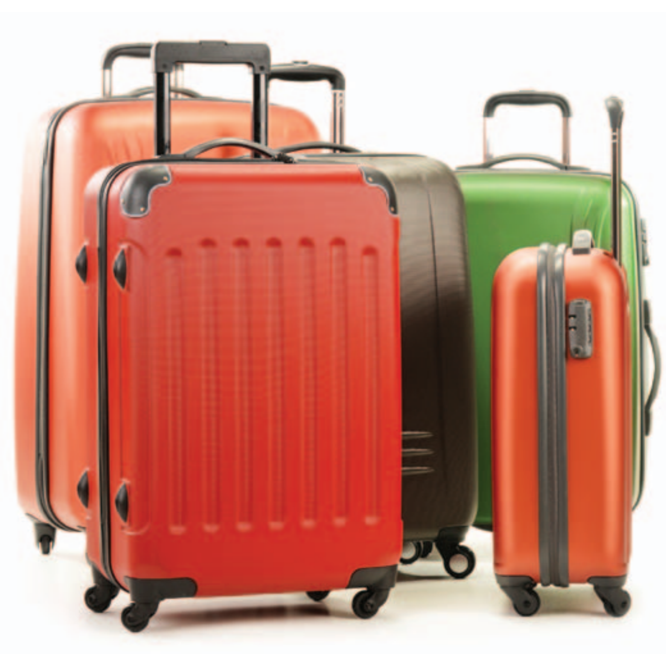
When the individual leaves or reduces their interests in the partnership substantially (say on retirement or divorce/ cessation of a civil partnership) then, provided the asset has been used for the purposes of the business for a minimum of 12 months, the claim for Entrepreneurs Relief may be made resulting in the gain which arises on the sale of the asset chargeable to tax at a reduced rate of **10%.**

Your client manager will be able to give you all of the background information on this claim and advise if this claim can apply to your assets as part of any partnership exit strategy you may be considering.

Free family trips abroad?

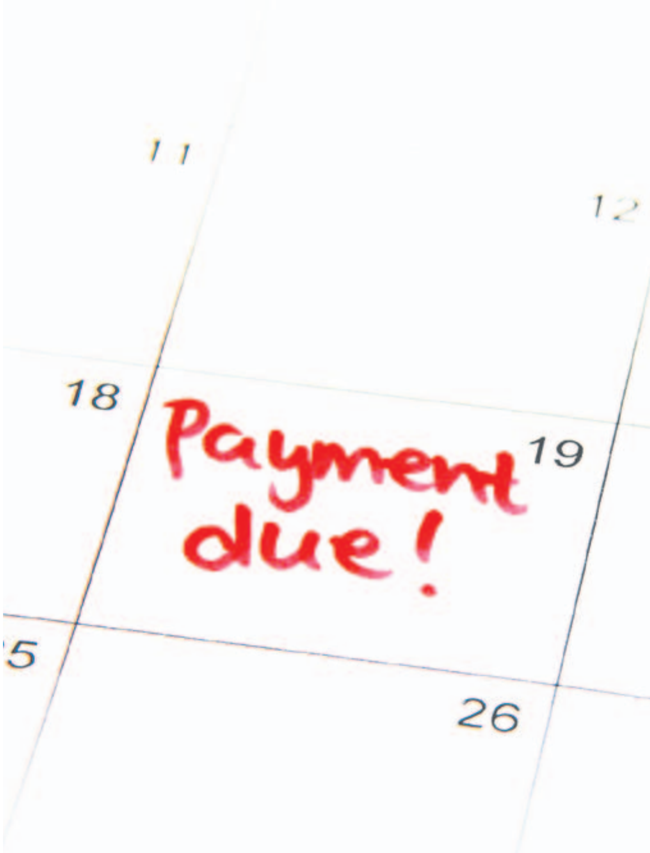
When an employee is required to work outside of the UK under a contract of employment and the employee is abroad for a continuous period of 60 days or more, then if the employer pays for or reimburses the cost of travel to that place of employment for the employees spouse, civil partner or child there is no tax liability.

There can be two outward and two inward trips during any one tax year but once abroad there is no tax allowance available for provision of accommodation nor for subsistence.



VAT Cash Accounting Scheme

VAT is normally charged on the invoices issued by you to customers even if they have not paid you and VAT is reclaimed on the invoices you receive from suppliers even if you have not yet paid those invoices. This can sometimes lead to cash flow issues, for example if a customer is issued with an invoice of £10,000 plus £2,000 VAT and that customer faces difficulties in paying the invoice, taking a number of months to pay, the VAT of £2,000 would still have to be accounted for and paid over in the period in which the invoice was issued, potentially creating a cash flow issue for the business.



The VAT Cash Accounting Scheme takes away that problem by allowing small businesses to pay the VAT on sales when the customer pays the invoice and reclaim the VAT on purchases when the business pays their supplier.

Small businesses with an estimated turnover of not more than £1.35 million can use this scheme provided they are up to date with their VAT returns and their VAT payments. The business can join the scheme at the beginning of any VAT period, but before deciding to join the Cash Accounting Scheme it is essential that you speak to your client manager. There are some disadvantages to the scheme, specifically when you start up a business, leave the cash accounting scheme or if you buy most of your purchases on credit, as it will take longer to reclaim your VAT overpayments.

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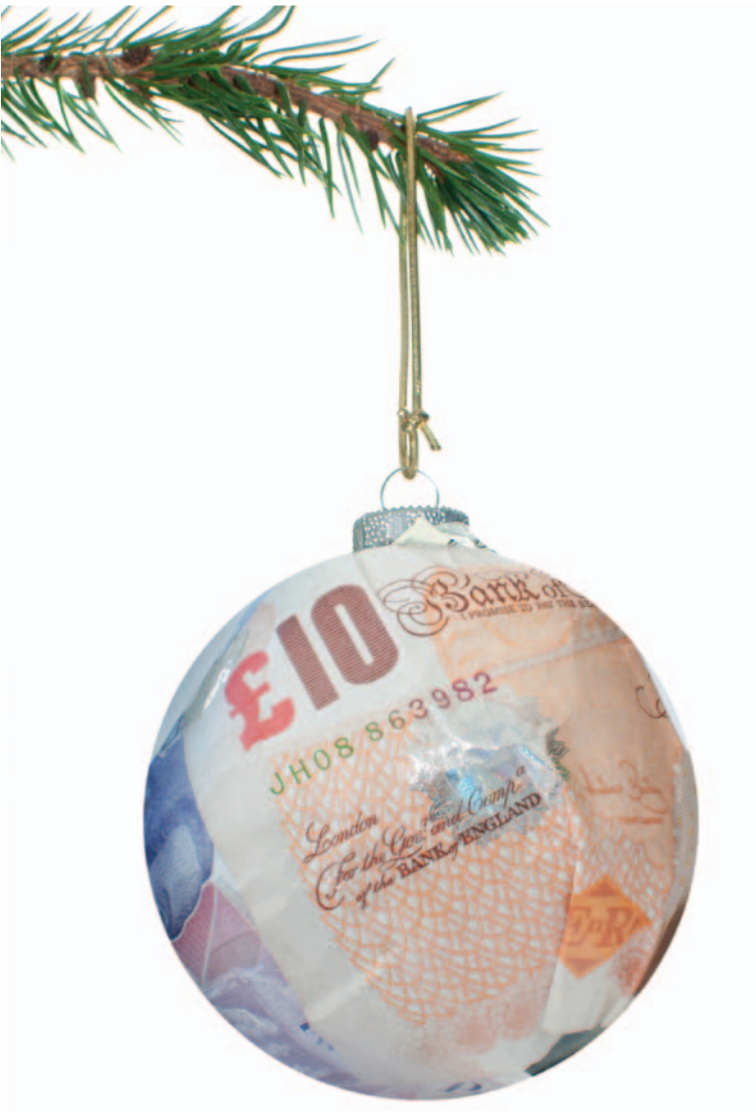
Christmas and other gifts

With Christmas not too far away it may be worth remembering that for Inheritance Tax purposes it is possible to make small gifts which are exempt from inheritance tax of up to £250 in each tax year to any number of different recipients.

The annual exemption is the amount you can give away each tax year that will be exempt from Inheritance Tax. This is currently £3,000 and applies to one gift or a number of gifts up to that amount.

If you wish to make any larger or more frequent gifts please speak to your client manager as there are other exempt gifts, for example, on the occasion of marriage or formation of a civil partnership or gifts out of normal income, gifts to your spouse or civil partner, a political party or charity which may be appropriate.

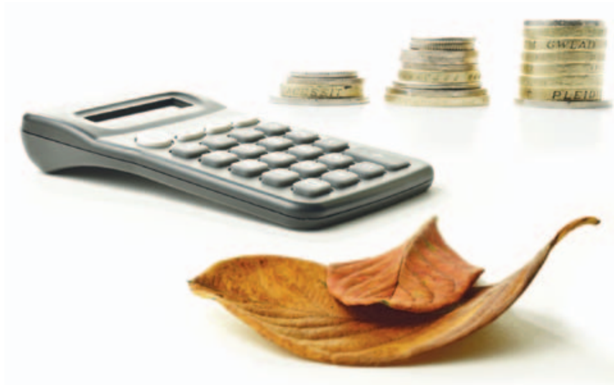


Stop Press

Minimum wage increase
The Government accepted the independent Low Pay Commission's (LPC) recommendations for this year's national minimum wage rates which came into force on 1 October 2013 as follows:-

- **the adult rate increased by 12p to £6.31 an hour**
- **the rate for 18-20 year olds increased by 5p to £5.03 an hour**
- **the rate for 16-17 year olds increased by 4p to £3.72 an hour**
- **the rate for apprentices increased by 3p to £2.68 an hour**

Business Secretary Vince Cable said: The National Minimum Wage is a vital safety net in protecting the low paid. Each year, the LPC carries out a huge amount of detailed and valuable work to make sure they recommend a rate that supports people on low pay without damaging their chances of getting a job.



We are here to help

We can help you by ensuring that you're aware of the changes that will affect you, your family and your business. To find out more about the ways that we can help you, do not hesitate to contact us.

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