The Credit Card Sales Campaign

Aimed specifically at those who take card payments for goods and services.

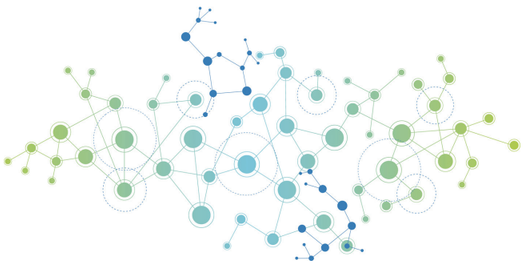
If you consider you would like to take advantage of one of the disclosure campaigns then please speak to your client manager as quickly as possible because, whilst there is no time limit on making these disclosures, the penalty regime is more favorable the earlier the disclosure is made. We will calculate the potential tax charge together with any interest and penalties due and discuss with you the options prior to making any disclosure to HMRC.

Can your company ignore this relief?

Research and Development (R&D) tax relief is a company tax relief or credit that can either reduce a company's tax bill or, for some small or medium sized (SME) companies, provide a cash payment based on the company's expenditure on R&D.

For there to be R&D for the purpose of the tax relief, a company must be carrying on a project that seeks an advance in science or technology. It is necessary to be able to state what the intended advance is, and to show how, through the resolution of scientific or technological uncertainty, the project seeks to achieve this.

The advance being sought must constitute an advance in the overall knowledge or capability in a field of science or technology, not a company's own state of knowledge or capability alone.



Can your company answer yes to any of these questions:-

- Does the company undertake the development of new products/processes?
- Does the company employ technical staff, engineers, software developers or scientists?
- Has the company made advancements in its field of work?
- Is the company aiming to duplicate existing products or processes in an appreciably improved way?
- Is the company creating new or improved products?
- Does the company consider itself technically innovative?
- Does the company spend money on staff costs, consumables and/or sub-contractor costs in order to undertake the development work?

If so, your company may be eligible to claim substantial cash back in the form of either a tax credit, if the company is loss making, or a reduction in the corporation tax liability, if the company is profitable. But if an SME has losses in the accounting period they must surrender the enhanced relief in order to receive the tax credits in cash from HMRC.

From 1 April 2012 SMEs can deduct a huge **225%** of their qualifying R&D expenditure and the payable tax credit can amount to £24.75 for every £100 of actual R&D expenditure.

Large companies can deduct **130%** in respect of qualifying expenditure incurred.

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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Rent a Room Scheme

This scheme is designed for individuals who rent out furnished residential accommodation in their only or main home. This would apply to a lodger for example.

There is an exemption from income tax up to a maximum of £4,250 on the amount received as rent and payment for services (laundry, shopping, cooking etc.) together with any payments made for any provision of food or heat and light.

The exemption is halved if the room being rented out is in a property in joint ownership and the home owner cannot claim any expenses to be set off against this income.

Capital Allowances and Annual Investment Allowance (AIA)

Capital allowances are a tax relief designed to allow the cost of certain of your businesses assets to be written off against its taxable profits. The Annual Investment Allowance is one type of the capital allowance and is an allowance of 100 percent of the expenditure on assets bought for use by a business up to a maximum spend each year.

AIA is available for most assets purchased by a business, such as:

- machinery and tools
- vans
- lorries
- diggers
- office equipment
- building fixtures
- computers

It does not apply to cars.

The allowance is available to companies, partnerships and individuals and at present is a huge £500,000 per annum and will remain at this figure until December 2015 when the annual amount falls to only £25,000.

Many clients do not have a 31 December year end and so where an accounting period spans the changes in allowance rates the allowance available for relief is calculated by reference to the period before the change and the period after the change. A very similar company with similar spend on assets will have a different allowance depending on the accounting date.

The calculation of the allowable amount is a complex calculation and it is advisable to ask your accounts manager to look at the calculation prior to making a purchase. Your account manager will be able to advise you on the optimum purchase date to achieve the maximum tax relief.

In loss making unincorporated businesses, there is a danger that the sole trader or partners may lose their personal tax allowances because the AIA claimed simply increases the loss. Your client manager will consider if it is more tax efficient to receive the tax relief for the assets purchased in a way that enables the individuals to retain their personal tax allowances and claim the tax relief for the assets purchased at a later time when the business is back in profit.

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Child Benefit High Income Charge

Child benefit entitlement is based on the income of the person receiving the benefit or, in the case of a couple, it is based on the highest income within the couple.

A charge is payable by the individual or the partner earning in excess of £50,000. The charge is set at 1 percent of the child benefit awarded for every £100 of income exceeding £50,000 in a year. Where the income exceeds £60,000 the charge will be equal to the child benefit awarded in that year.

It is possible for both partners to earn £49,999 (a total of £99,998 per year) and retain the child benefit but a single parent earning £60,000 will have to repay the full child benefit.

It is wholly possible that the person in receipt of child benefit is not the partner who will be liable to meet the higher income benefit charge. They will however have to declare the receipt of child benefit on their annual tax return and meet the charge.

It is possible for those couples or individuals who fall into the charge to disclaim the child benefit by writing to the Department for Works and Pensions (DWP) and advising that they no longer wish to receive child benefit.

If the benefits are to be retained it may be possible for the individual with income in the band £50,000 to £60,000 to balance their income with their partner, or to reduce their income to below £50,000. There may be opportunities of paying for childcare through a salary sacrifice childcare voucher scheme or similarly by making payments to a pension scheme using an employer's salary sacrifice scheme.

Relief from Inheritance Tax (IHT) for Business Assets

Inheritance Tax (IHT) is charged on transfers of capital as lifetime gifts or on wealth in a deceased's estate. A running total is kept of lifetime transfers and wealth at death and no tax is payable until transfers hit a threshold which is fixed at £325,000 until 2017/18. The full rate of tax on transfers above the threshold amounts to 40% but a lower rate applies where a level of charitable bequests are made.

Certain reliefs are available and planning for maximising these reliefs prevents some or all of the value of the assets being included in the tax charge.

If you live for seven or more years after making a gift, anything you give away will not be classed as part of your estate for IHT purposes.

Business Property Relief (BPR) provides relief from IHT on the transfer of relevant business assets at a rate of 50% or 100%.

Relevant business property comprises of a business or an interest in a business; unquoted securities which on their own or combined with other unquoted shares or securities give control of an unquoted company; unquoted shares; quoted shares which give control of the company; land or buildings, machinery or plant used wholly or mainly for the purposes of the business carried on by a company or partnership; land or buildings, machinery or plant available under a life interest and used in a business carried on by the individual. In order to qualify for the relief the property must have been held for at least 2 years.

Prior to retirement, sale or transfer of a business please speak to your client manager to assess the potential for maintaining the available BPR as there is no claim for BPR on any business asset if the asset was not used mainly for business in the two years immediately before you passed it on as a gift during your life time, or as part of your will and a claim is not allowed if the asset is not required for future use in the business.

You can give away business property or assets while you're still alive without losing BPR as long as the property or assets qualify for BPR in the first place.

If you give away business property or assets in your lifetime, whoever you give them to must keep them as a going concern until you die in order to keep the relief. They can replace the property or assets - like machinery - with something of the same value if it's for use in the business.

It may be helpful to undertake a review of your personal wealth to ascertain the potential IHT charge on your estate and to look at ways of reducing this liability and maximising reliefs available to you. Please ask your client manager for more information.

VAT on Bad Debts

If you have a customer whose debt to your business has been outstanding for more than six months you can reclaim any sales VAT already paid to HM Revenue & Customs provided :-

- **you are unlikely to receive payment and**
- **you have written off the debt in your day to day VAT accounts and transferred it to a separate bad debt account.**

Regular reviews of who owes you money is essential to remain on top of your VAT account.

Campaign update

HM Revenue and Customs have launched one new campaign and an extension to an existing campaign. Unlike some campaigns, these do not have a closing date for those who wish to use it to notify HMRC.

These are the Let Property and the Credit Card Sales Campaigns.

The Let Property Campaign is being extended to specifically cover properties in the South West of England and the South West of Wales and the Credit Card Sales Campaign is aimed at targeting businesses that accept debit and credit card payments but don't include these sales in their tax returns.

HMRC's campaigns are opportunities for those with undeclared income or gains to come forward and bring their affairs up to date. If you have income or gains and do not use this facility to make a voluntary disclosure and HMRC subsequently come to you with a discovery you will face much heavier penalties and possibly prosecution.

The key features of both campaigns are:

- **The taxpayer first has to notify HMRC of an intention to use the disclosure opportunity.**
- **The taxpayer will then be given a disclosure reference number and will have four months to calculate and pay the tax due, together with penalties and interest.**
- **HMRC will offer a payment plan to those with genuine difficulty paying the arrears in one sum.**
- **Calculation may be required going back up to four, six or 20 years, depending upon the reasons why the income was not declared.**

The level of penalties will vary depending upon the circumstances but will usually be lower if you take part in the campaign than if you do not.

The Let Property Campaign

You can report previously undisclosed taxes on rental income to HMRC under the Let Property Campaign if you're an individual landlord renting out residential property.

This includes you if you're:

- **renting out a single property**
- **renting out multiple properties**
- **a specialist landlord, e.g. student or workforce rentals**
- **renting out a room in your main home for more than £4,250 a year or £2,125 a year if letting the property jointly, i.e. above the Rent a Room Scheme threshold**
- **living abroad and renting out a property in the UK**
- **living in the UK and renting a property abroad**
- **renting out a holiday home even if you use it yourself**

You can't use this scheme to declare undisclosed income if you're a company or a trust renting out residential property or if you're renting out commercial property.

Stop Press: Tip:

Are you a landlord? Watch out for demands from HM Revenue and Customs (HMRC) for class two national insurance on your property letting income. If you do receive a demand please advise your client manager immediately, as there may be good grounds for disputing this charge.