TRANTER LOWE
CHARTERED ACCOUNTANTS

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2013 is already turning out to be a year of change in tax. This edition of Pay Less Tax highlights some of the recent changes and gives pointers on decisions you may be making over the next few weeks.

Stop Press

Capital gains tax annual exempt amount to increase

The capital gains tax annual exempt amount will increase from April 2014 to £11,000 and by a further 1% from April 2015 to £11,100. Whilst the increase is small, a potential saving of 28%, for higher rate tax payers makes careful planning for disposals of assets, essential.

Cap on unlimited tax reliefs

A cap on unlimited income tax reliefs will come into force on 6 April 2013 on **specific** income tax reliefs claimed by individuals. The cap will be the greater of £50,000 or 25% of income.

The limit will only apply to certain reliefs, which are currently unlimited and will not apply to charitable reliefs or Enterprise Investment Scheme investments.

The main relief which is widely used is that of losses arising from trading which can be used against total income. For example, you trade as a retailer and you have income from working as a part time mobile party planner. Your shop makes a loss in the year and you set that loss against your total income for the year including your earnings as a party planner. These reliefs were very useful in the past for new business start-ups as the relief was available for the first four years of trade. They were also available within seven years of a business ceasing but will now be capped. The loss relief for property business losses arising from capital allowances or agricultural expenses will also be capped.

Another major relief which has been capped is that of qualifying loan interest, available for interest paid on certain loans. These include loans to buy an interest in certain types of company, or to invest in a partnership.

We are here to help:

We will continue to review all of the possible tax reliefs available to you. However, should you be considering a loan to buy an interest in a company or partnership, or feel that your business is not making the profits it has in the past, then please speak to a client manager before the year end so that we can help and advise you of the tax reliefs available.

Stop Press

Employer childcare schemes - increase for additional rate tax payers

These changes will take effect on 6 April 2013.

There will be an increase in the tax exempt amount for employer supported childcare (childcare vouchers or directly contracted childcare) from £22 per week to £25 per week for additional rate taxpayers who join such a scheme on or after 6 April 2013. This will ensure the value of tax relief available for employer supported childcare continues to be aligned to the value received by basic rate taxpayers.

The national insurance contributions disregard for childcare vouchers will also be aligned with the tax treatment.

We are here to help:

If you are an additional rate tax payer speak to us about how an employer childcare salary sacrifice scheme works and if it would be relevant for your circumstances.

Disincorporation Relief

Many small firms may see themselves trapped inside a corporate structure, a hang-over from the heady days of 0% and 10% corporation tax rates. The Treasury estimate that 610,000 businesses will be eligible for this relief which will enable them to transfer a business and its assets as a going concern to one or more of the company's shareholders, to continue the business in an unincorporated form.

The measure will make it easier for the owners of a small incorporated business to disincorporate by removing some of the tax charges that arise when assets are transferred by the company to the shareholders who wish to continue the business in an unincorporated form. The measure will allow the business the flexibility to choose the most appropriate legal structure in which to operate.

At present a company pays Corporation Tax (CT) when chargeable gains arise on disposals of assets and on the credit which arises from a realisation of goodwill, based on the market value of the asset at the time of the transfer.

The relief is available for a limited period of 5 years, for disincorporations from 1 April 2013 to 31 March 2018. The business assets which can be transferred are goodwill and land and buildings used in the business, but to qualify for the relief, these items may not exceed £100,000 in value.

The qualifying business assets are transferred at a reduced value for CT and capital gains tax (CGT) purposes. The joint claim allows the asset to be transferred at the reduced value so that no CT will be payable by the company on the transfer. The shareholders agree to take on the asset at the reduced value, in reality the shareholders take on the gain, which will be charged on them when the asset is subsequently disposed of.

We will need to put in a joint claim for the company and the shareholders to secure this relief.

There are always pros and cons to all business structures and we are always happy to discuss your needs as sole traders and partnerships looking to incorporate but also to review the changing needs within companies for differing structures. In addition to these structures we can advise on using a Limited Liability Partnerships (LLPs) structure.

We are here to help:

Please discuss your short, mid and long term business plans in your next conversation with your client manager to make certain your needs are being correctly met.

Amnesty Update

HM Revenue and Customs have published their next series of campaigns. They are targeting the sales of properties, other than main residences, where the sale has not gone on a tax return and may be liable to capital gains tax. The campaign will start in late March 2013.

We are here to help:

If you have sold a property and wish to speak to a member of the team about this then please call the office and make an appointment as soon as possible so that we can review this for you.

Tax Credit to Universal Credit an update

The Universal Credit Regulations 2013 comes into force on 29th April 2013. Universal Credit will be introduced to claimants with very specific criteria within certain areas of the North-West of England. Called the "pathfinder" stage it will help the DWP ensure that Universal Credit is ready to go live across the rest of the country in October 2013.

It will not be a simple transition, that is a given. With the amalgamation of numerous benefits and allowances, it remains family circumstances, working hours, income and capital which will continue to make up the basis for a claim. The calculation of income and capital is something we undertake for you on a regular basis.

Instead of income-related Jobseeker's Allowance, Housing Benefit, Child Tax Credit, Income Support, Working Tax Credit, and income-related Employment and Support Allowance as separate benefits, there will be a single means-tested benefit for people both in and out of work. Claims to Universal Credit will be made by single claimants or jointly by couples.

New claimants: They will be able to make claims for Universal Credit from October 2013, while claims for existing benefits and credits will be gradually phased out. From April 2014, all new claims will be for Universal Credit, there will be no new Tax Credits claims.

Existing claimants: They will move onto Universal Credit in line with a phased approach that is expected to be completed by the end of 2017.

UC has a maximum award for the household calculated by reference to an age-related allowance to which additional elements, for example for dependent children, housing costs and other needs, are added as appropriate. Deductions from the maximum award will then be made in respect of any earnings or other relevant income. People with capital assets in excess of £16,000 will not be entitled to Universal Credit.

A key difference with Universal Credit is that it will be assessed and paid monthly with employed earnings details being collected via the Real Time Information (RTI) system for PAYE, which is being implemented by HM Revenue and Customs (HMRC) from April 2013.

Much misunderstanding surrounds the way in which the self-employed will gain access to the Universal Credit.

In most circumstances, after an assessment by a "trained Gateway advisor", where a claimant is confirmed to be gainfully self-employed, an assumed 'Minimum Income Floor' will apply, this sets a minimum level of assumed income from self-employment. For example the level of the Minimum Income Floor for claimants expected to be able to work full-time will be equivalent to 35 hours per week at the National Minimum Wage (NMW). At the time of going to press the NMW amounted to £6.19 per hour for an over 25 year old giving an assumed income for a self-employed person working 40 hours per week of £247.60.

It is broadly expected that all awards under the Universal Credit system will be lower than the claimant would have received as a package of Tax Credits and other benefits therefore there are transitional arrangements being made to ensure a smooth transition for claimants. If you consider you may need to make a claim in the near future, please talk to us about making the claim earlier for Tax Credits rather than waiting until it becomes necessary and you have to make a Universal Credit claim. A top up payment will be made to bring the level of Universal Credit award up to the level of the Tax Credit award for all of those in the system at the time of transfer.

We are here to help:

This is an area of planning which may be a vital part of your income for a short period of time, so please talk to your client manager if you believe your circumstances may change in the near future or if you have business plans which mean your income may fall temporarily.

Employers - Take Action Now!

April 2013 will see the biggest reform to the way employers communicate their payroll information to HM Revenue and Customs (HMRC).

Real Time Reporting will be compulsory for the majority of employers from the first pay date in April 2013 and requires special software to be used to ensure employers comply. Providing one employee is paid above the Lower Earnings Limit (LEL) for Class1 National Insurance Contributions (NIC) then payments to all other employees, irrespective of their rate of pay, have to be reported every time a payment is made to them.

We are here to help:

If you are an employer and you are not prepared for this change we urge you to take action immediately. Please speak to your payroll provider to ensure this change is being dealt with on your behalf or if you manage your own payroll you may need some help through this transition. We have RTI experts on hand to advise you on our services. Please call the office as soon as possible to ensure a smooth transition to RTI!

We Can 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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