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Business Focus

LAWRENCE GRANT ON THE INTERNATIONAL SCENE

The last couple of months have seen us highly active on the cross-border trail.

Firstly, in regard to our active membership of GGI (formerly Geneva Group International), in March we were represented at the GGI 'Easymeet', a bi-annual conference for young professionals held on this occasion in Dusseldorf. Partner Ben Korklin and senior staff members Prodipta Patel and Timon Witschi flew the LG flag high and were all highly active in the various technical discussions.



Also in March, partner Graham Busch and senior staff member Sonal Shah attended the GGI International Tax Practice Group's annual winter meeting in Milan. Graham is the global vice-chairman of the ITPG and in this capacity he chaired a 5 delegate panel discussion on the topical subject of Base Erosion and Profit Sharing (think Google, Amazon, Starbucks etc.). Sonal was one of the panellists and delivered a paper on UK aspects of BEPS.



Lastly in March, clearly a busy month on the international front, Prodipta participated in a United Kingdom Trade & Investment mission to India. She presented papers in Kolkata and Bhubaneswar on 'Indian Companies Doing Business in the UK' and participated in a panel discussion at a seminar in Cochin. The key themes of discussion in the seminar were the UK's attractiveness as an investment destination and the market opportunities in different sectors.

Then in April, partners Paul Levy, Alan Rajah and Kassim Harunani represented LG at GGI's annual European Conference in Edinburgh. All were involved in various technical workshops, whilst Alan chaired a high-level workshop on 'The Nine Characteristics of Successful Business Leaders and Entrepreneurs'.

We take our involvement with GGI and with UKTI very seriously. Whilst, of course, there are networking and social opportunities at such events, we also view these as vital to the development of our firm and to the provision of ever-expanding services to our clients.



These benefits include:

For our UK based clients:

- The development of close relationships with trusted professionals abroad who are ready and willing to assist you in the event you decide to set up operations abroad.
- The acquisition of sufficient knowledge about operating in various countries abroad to be able to identify suitable opportunities for you in these countries.

For our overseas based clients:

- Access to trusted professionals in countries where you may wish to operate but don't at present.
- The acquisition of knowledge about operating in your home country and in countries where you don't (yet) have operations. This will allow us to better advise you in the UK. We always say it is easy to give you UK advice but the hard part is ensuring that the advice works well for you in your home country and elsewhere if relevant. The more we learn about other countries' laws, regulations and systems, the easier it is for us to assist in optimising your global business affairs. This ensures that what we advise you to do in the UK 'fits in' with your international presence.

We at Lawrence Grant are immensely proud of our ability to provide an international service to our clients, typically the domain of larger accountancy firms, whilst retaining the personal touch which we know clients value so much. It is very much a case of 'big enough to know, small enough to care'.

If you or your business is looking for new opportunities abroad, we can assist and support you with any financial planning requirements you may have. Please call one of the partners on +44 (0)208 861 7575 or visit the 'International' section of our website: www.lawrencegrant.co.uk for more information.

Inside this Issue...

Summer
2014

2014 Budget Round-up

Company car tax – changing gears

The taxing side of property lets

Tax Round-up

Tax Tip

Reminders for your Summer Diary



2014 Budget Round-up

Chancellor George Osborne unveiled a series of tax measures affecting businesses and individuals in his 2014 Budget. Now the dust has settled we outline some of the more important tax points from the Budget Statement.

Business measures

Annual Investment Allowance (AIA)

The maximum amount of the AIA has been increased to £500,000 for all qualifying expenditure on plant and machinery made from 1 April 2014 for corporation tax and 6 April 2014 for income tax. After 31 December 2015 the limit will be reduced to £25,000. Transitional rules will apply.

Enhanced capital allowance (ECA)

Businesses investing in new plant and machinery in ECA sites in Enterprise Zones can qualify for 100% capital allowances until 31 March 2020.

Research and development (R&D)

From 1 April 2014 the rate of R&D payable credit for loss making SMEs will be increased from 11% to 14.5%.

Seed Enterprise Investment Scheme (SEIS)

The SEIS and the associated capital gains tax relief for re-investing chargeable gains in SEIS shares are to be made permanent.

Capital gains tax (CGT)

Roll-over relief allows capital gains tax and corporation tax on chargeable gains to be deferred where the proceeds from disposing of certain eligible classes of qualifying asset are reinvested into new qualifying assets.

A new measure will prevent companies claiming chargeable gains roll-over relief on the disposal of tangible assets where the proceeds are reinvested in an intangible fixed asset.

Personal measures

Allowances and rate bands

From 6 April 2015 the personal allowance for anyone born after 5 April 1948 will be £10,500. The basic rate limit will be £31,785. The starting rate of savings tax will be 0% to a maximum of £5,000.

Pensions

The Chancellor announced a series of changes to pensions, to apply on or after 27 March 2014, including:

- increasing the maximum income that a drawdown pensioner with a capped drawdown pension fund can choose to receive to 150% of the 'basis amount'
- reducing the minimum income threshold for flexible drawdown to £12,000
- allowing members over 60, with total pension savings of £30,000 or less to take out all of those savings as one or more trivial commutation lump sums, and
- allowing up to three small pension pots to be taken, as lump sums up to £10,000.

The process of consultation on the new rules for pensions, to be introduced from April 2015, has begun. One key measure is that the new drawdown will be flexible for everyone.

These proposals would mean that retirement choices involve taking a 25% tax-free lump sum, plus:

- buying an annuity, taxable at marginal rates, or
- going into flexible drawdown, with no limit on the amount you can draw each year but with the year's drawdown taxable at marginal rates, or
- drawing your pension pot in full, and paying tax at marginal rates.

High value residential property

Residential properties worth over £1m and up to £2m will be brought into the charge with effect from 1 April 2015. The charge for these properties in 2015/16 will be £7,000. Properties worth over £500,000 and up to £1m will be brought into the charge with effect from 1 April 2016. The charge for these properties in 2016/17 will be £3,500.

Please contact us to discuss how the measures announced in the Budget may affect you and your business.

Company car tax – changing gears

A company car driver who drives the same car in 2014/15 will pay more tax than in 2013/14 despite the car being a year older. If the employer also pays for fuel for private motoring, the company car driver will pay extra even if their private mileage drops.

Since 2002 the amount that is charged to tax – in respect of the benefit derived from the private use of a company car – depends on its level of CO₂ emissions, and on the original list price of that car. The cash equivalent is a percentage, known as the appropriate percentage, of the list price. The percentage depends on the level of the car's CO₂ emissions. Adjustments are made to reflect optional accessories, any capital contributions made by the employee, any periods for which the car is unavailable and any contributions made by the employee as a condition for the car being available for private use.

Where fuel is provided for private motoring, the benefit is calculated by applying the appropriate percentage as found for company car purposes to the car benefit charge multiplier ('the multiplier') for the year.

2014/15 changes

The appropriate percentage for cars with CO₂ emissions of 76 to 94g/km is 10% for 2013/14 and 11% for 2014/15.

For 2013/14 the appropriate percentage for a car with CO₂ emissions of 76–94g/km was 10%. Thereafter the appropriate percentage increased by 1% for every 5g/km increase in CO₂ emissions (so a car emitting 95g/km had an appropriate percentage of 11%), subject to a maximum charge of 35%. For this purpose the actual CO₂ emissions figure is rounded down to the nearest 5g/km.

For 2014/15 the appropriate percentage where CO₂ emissions (rounded down as appropriate) are increased by 1% so, for a car emitting 95–99g/km it would be 12%. Thereafter the appropriate percentage increases by 1% for every 5g/km increase in CO₂ emissions, subject to the maximum charge of 35%.

A 3% supplement applies to diesel cars, again subject to the 35% maximum charge.

This means a company car driver who does not change his car faces an automatic tax increase.



Example

Poppy is a higher rate taxpayer paying tax at 40%. She has a company car throughout 2013/14 and 2014/15. The car is a petrol car which has CO₂ emissions of 160g/km and a list price of £22,000.

In 2013/14 the appropriate percentage for a car with CO₂ emissions of 160g/km is 24%. Therefore the cash equivalent of the benefit of the company car is £5,280. This costs Poppy £2,112 in tax.

For 2014/15 the appropriate percentage has increased by one percentage point to 25%. The cash equivalent of the benefit is £5,500, which costs Poppy £2,200 in tax.

Although Poppy has not changed her car, she pays £88 more in tax for the benefit in 2014/15 than in 2013/14.

Zero and low emission cars

For both 2013/14 and 2014/15 no tax charge arises in respect of zero emission cars (including electric cars). A 5% charge applies where actual CO₂ emissions are 75g/km or less (but more than zero).

The zero and 5% charges come to an end on 5 April 2015. From 2015/16 two new bands apply, one for cars with CO₂ emissions of 50g/km or less and one for cars with CO₂ emissions of 51 to 75g/km. The appropriate percentages are set at 5% and 9% respectively for 2015/16, increasing to 7% and 11% for 2016/17.

Employees driving low and zero emission cars should be aware of the tax increases applying from 6 April 2016 and take action if necessary.

Car fuel

The cash equivalent of the benefit of employer provided fuel for private journeys is found by multiplying the appropriate percentage as found for the purposes of the company car charge by the multiplier for the year. For 2013/14 the multiplier was £21,100 and for 2014/15 the multiplier is £21,700.

As with the car benefit, the tax cost of the fuel benefit will increase in 2014/15 as compared with 2013/14 even if everything else stays the same as both the multiplier and the appropriate percentage have increased. In the above example, the cash equivalent of the fuel benefit is £5,064 in 2013/14 (24% of £21,100), costing Poppy £2,025.60 in tax. In 2014/15 the cash equivalent of the benefit is £5,425 (25% of £21,700), costing Poppy £2,170.00 in tax, £144.40 more than in 2013/14.

There can be many good commercial reasons for providing company cars and vans but those receiving fuel for private motoring are advised to review its merits as the high tax cost means that it is now rarely a tax-efficient benefit.

We can advise you on your business motoring options, including company cars.



The taxing side of property lets

If you let out a property you may be entitled to claim allowances for certain equipment. The position has changed over recent years, with April 2013 seeing further revisions following the withdrawal of the non-statutory renewals basis. Here we provide an overview of the current situation.

Furnished or unfurnished?

The tax treatment of property lettings is largely dependent on whether the accommodation is considered to be furnished, unfurnished or a holiday let.

While there is no legal definition of furnished, unfurnished or even part-furnished residential lettings, HMRC guidance suggests that a residential letting is classed as fully furnished if it includes items such as tables, chairs, beds, wardrobes and soft furnishings, as well as white goods (fridge, dishwasher, washing machine etc).

Where the accommodation is only let with white goods it is considered partly furnished. However, even partly furnished properties are classed as unfurnished by HMRC and are thus subject to separate tax rules.

Furnished residential lets

Where a taxpayer lets a furnished residential property, plant and machinery capital allowances cannot be claimed on furniture, furnishings or fixtures within the property. By concession, a deduction can be claimed for a 'wear and tear allowance' of 10% of the 'net rent' from the furnished letting to cover the depreciation of items such as suites, beds, carpets, curtains, linen, crockery, cutlery, cookers, washing machines and dishwashers.

Partly furnished and unfurnished properties

The tax treatment is less favourable where a property is classified as unfurnished or partly furnished. No allowance is made for the cost of furnishings.

Tax relief may, however, be available where the costs incurred on equipment can be classified as a repair. The rules are complex and are governed by principles established in a number of tax cases. Please contact us for more details.

Energy-saving incentives

Until 5 April 2015 landlords installing loft insulation, floor insulation, cavity wall insulation, hot water system insulation and draught proofing may claim an income tax deduction of up to £1,500 per property, known as the Landlord's Energy Saving Allowance. Please note that the allowance is not available under the 'Rent a Room' scheme or for furnished holiday accommodation (see below).

Furnished Holiday Lettings

Different rules apply to Furnished Holiday Lettings (FHLs), which are treated as if they were trades.

Unlike residential lettings, the expenses can include capital allowances on furniture and kitchen equipment. Capital allowances are also available on plant and machinery used outside the property (such as vans and tools), although there are no capital allowances for the cost of the property itself or the land on which it stands. However, the 10% wear and tear allowance that you are entitled to if you have an ordinary rental business is not available for FHLs.

To qualify as a furnished holiday let the property must meet certain qualifying conditions regarding the availability, letting period and pattern of occupation – please contact us for details.

If you are letting out property you should ensure that you are making full use of the tax reliefs and allowances available to you. However, the rules are complex and it is important to seek expert advice – please contact us for assistance.



Tax Round-up

Percentage Threshold Scheme is abolished

The Percentage Threshold Scheme (PTS), which allows employers to reclaim Statutory Sick Pay (SSP), was abolished at the end of the 2013/14 tax year by the Department for Work and Pensions (DWP).

From 6 April 2014, SSP is not recoverable for employers, although unclaimed SSP for absences that occurred before the end of 2013/14 can still be claimed until the end of the 2015/16 tax year.

The SSP record keeping requirements associated with the PTS have also been abolished, but employers must still keep records for PAYE purposes and to demonstrate that they are meeting SSP requirements.

An independent review carried out to explore sickness absence concluded that a lack of access to occupational health advice was preventing sick employees from returning to work.

The money saved from the abolition of the PTS will fund a new Government scheme, the Health and Work Service (HWS), which will make independent health and work advice more widely available to those who are involved in dealing with employees who are sick for four weeks or more.

Tax-free beneficial loan limit is doubled

The tax-free threshold for employment related beneficial loans was doubled to £10,000 with effect from 6 April 2014. The move was first announced in the 2013 Budget and subsequently legislated for in the 2014 Finance Bill.

The previous £5,000 loan threshold has been in place since it was first introduced in 1994, but the increase to £10,000 will accurately reflect the current levels of such loan arrangements.

The new threshold applies to all beneficial loans such as those used for seasonal travel tickets, business cars or company shares, regardless of when they were taken out. Providing the outstanding balances on the loans do not exceed the new threshold at any time throughout the tax year, there is no tax charge.

The Government predicts that 7,000 employers will benefit from the change, with companies expected to see a reduction in their administrative costs, either through no longer having to complete the P11D form or through no longer having to fill in the beneficial loans boxes on the form.



Tax Tip

The New ISA

From 1 July 2014, ISAs will be reformed into the 'New ISA' (NISA). From that date all existing ISAs will become NISAs, and the overall annual subscription limit for these accounts will be increased to £15,000 for 2014/15.

ISA savers will be able to subscribe this full amount to a cash account and will also be able to transfer their investment from a stocks and shares to a cash account and vice versa.



Reminders for your Summer Diary

June

30 End of CT61 quarterly period.

Annual adjustment for VAT partial exemption calculations (March VAT year end).

July

6 Deadline for submission of Form 42 (transactions in shares and securities).

Deadline for submission of EMI40 (EMI Annual Return).

Deadline for entering into a PAYE Settlement Agreement for 2013/14.

File Taxed Award Scheme Returns, file P11Ds, P11D(b)s and P9Ds. Issue copies of P11Ds or P9Ds to employees.

14 Due date for income tax for the CT61 period to 30 June 2014.

18/22 Quarter 1 2014/15 PAYE remittance due.

Final date for payment of 2013/14 Class 1A NICs.

31 Second payment due date for 2013/14 Class 2 NICs.

Second Self Assessment payment on account for 2013/14.

Annual adjustment for VAT partial exemption calculations (April VAT year end).

Liability to 5% penalty on any tax unpaid for 2012/13.

Deadline for tax credit Annual Declaration (if estimated, final figures required by 31/01/15).

August

2 Submission date of P46 (Car) for quarter to 5 July.

31 Annual adjustment for VAT partial exemption calculations (May VAT year end).