



# Green&Co

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## Tax Matters

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## Six tax-saving tips for businesses

Sensible tax planning measures can reduce your liabilities and help you to keep more of the money you earn. Here are six simple things that should be part of a business-owner's routine thinking about tax...

### 1. Choose the best structure for your business

Choosing the most suitable structure for your business can have a significant impact on the amount of tax that you are liable to pay, and each trading structure has its own advantages and disadvantages. While it may be beneficial to operate as a sole trader or partnership in the early years, as your business becomes successful and profits increase you may wish to consider trading as a limited company. Making the right choice as to whether to trade as a sole trader, partnership or limited company will benefit your business in the short, medium and long term, so do contact us to discuss your individual circumstances.

### 2. Profit from any losses

It may be possible to turn losses around and carry them forward to use against any future profits. Alternatively, you could set them against other sources of income in order to obtain immediate relief.

### 3. Claim tax deductible expenses

Delays in expenditure may not necessarily be in your business's best interests. Generally, it is better to incur expenses just before the

end of your accounting year, rather than after, as you will be able to obtain relief for those expenses one year earlier.

### 4. Utilise capital allowances

Through the process of reviewing your capital expenditure, you may be able to maximise any claims you wish to make for capital allowances. Many businesses are now able to claim a 100% Annual Investment Allowance (AIA) on the first £200,000 of expenditure for most types of plant and machinery, excluding cars, with effect from 1 January 2016 (transitional rules apply). The AIA applies to businesses of any size and most business structures, but there are provisions to prevent multiple claims.

### 5. Reclaim input VAT on any petrol usage

If you reimburse employees who pay for their own fuel for business travel purposes, you could reclaim the VAT applicable to the deemed fuel element of the mileage rate. Employees must, however, submit a valid VAT receipt before any VAT can be claimed.

### 6. Review your business motoring

It might be worth conducting a review of your business motoring arrangements, as the company car may not be the most tax-efficient option for your business. Where a company vehicle is still appropriate, in some cases a van may prove to be more beneficial to your business's finances. Company vans give rise to a £3,170 taxable benefit for unrestricted use. Additionally, a further £598 of taxable benefit is available if fuel is provided by the employer for private travel purposes. However, limiting the employee's private use of the van only to home-to-work travel may potentially reduce these figures to zero.

**Please contact us to discuss these and other strategies to help minimise your business tax liability. We would be delighted to assist you.**





## Passing on the ‘family home’: the additional nil-rate band

Set to come into effect from April 2017, the new ‘residence nil-rate band’ means the majority of people may soon be able to pass on a ‘family home’ tax-free on death. Here we examine the new rules in more detail.

### The current rules

Inheritance tax (IHT) is currently charged at 40% on the proportion of an individual’s ‘estate’ exceeding the IHT nil-rate band, which is set at £325,000 for 2016/17. Married couples and registered civil partners can pass any unused nil-rate band to one another on death.

An estate includes both the value of chargeable assets held at death plus the value of any chargeable lifetime gifts made within seven years of death (though there may be a discount on the 40% tax rate for certain lifetime gifts). The chargeable value of assets and gifts is the value after deducting any liabilities, reliefs and exemptions that apply.

### What’s changing?

Under changes announced by the Government, an additional nil-rate band will be introduced for each individual to enable a ‘family home’ to be passed wholly or partially tax-free on death to direct descendants such as a child or grandchild. A step-child, adopted child or fostered child is regarded as a direct descendant.

The new ‘residence nil-rate band’ (RNRB) is set to come into effect from 6 April 2017 and is in addition to an individual’s own nil-rate band. The RNRB will be set as follows:

<b>2017/18</b>	£100,000
<b>2018/19</b>	£125,000
<b>2019/20</b>	£150,000
<b>2020/21</b>	£175,000

It is then set to increase in line with the Consumer Price Index (CPI) from 2021/22 onwards.

It is worth noting that the additional band can only be used in respect of one residential property. The property does not have

to be the main family home, although it must, at some point, have been a residence of the deceased.

### Transfers

Transfers made during your lifetime to individuals or trusts cannot generally benefit from the RNRB unless the value of the property is still included in the deceased’s estate due to it being ‘a gift with reservation’. This is where the home has been legally gifted but the donor still benefits from the property, such as living in the property rent-free.

Transfers into a trust on death cannot benefit unless a direct descendant has a specific type of interest in the trust, known as an immediate post-death interest or disabled person’s interest.

### Restrictions for high value estates

There will be a tapered withdrawal of the RNRB for estates with a net value (after deducting any liabilities but before reliefs and exemptions) of more than £2 million. This will be at a withdrawal rate of £1 for every £2 over this threshold. In 2017/18, the first year of operation, this means that a person with an estate of more than £2.2 million will not benefit. By 2020/21 the limit is expected to be £2.35 million. For spouses it applies on each death estate calculation. This reduction only applies where the estate, at death, exceeds the limit. It does not include lifetime transfers within seven years of death.

### ‘Downsizing’ relief

It is also proposed that the RNRB will be available when a person downsizes or ceases to own a home on or after 8 July 2015 where assets of an equivalent value, up to the value of the RNRB, are passed on death to direct descendants. This could apply in a number of situations, for example, where the home has been gifted or sold prior to death.

**We can help you plan to minimise the tax due on your estate – please contact us for further advice.**

# Is your capital gains tax bill as low as it could be?

The start of the 2016/17 tax year saw a reduction in the main rates of capital gains tax (CGT). Although this is likely to be welcome news for many, putting in place strategies to help mitigate your liability to CGT should still form an essential part of your financial planning.

## The rules

Since June 2010, CGT has been charged in respect of individuals at the following rates:

- 10% if the gains qualified for Entrepreneurs' Relief (ER)
- 18% where the individual was a basic rate taxpayer
- 28% to the extent that the individual was a higher rate taxpayer or the gains exceeded the unused part of an individual's basic rate band.

In the 2016 Budget, the then Chancellor George Osborne announced that the 18% rate would be cut to 10%, while the 28% rate would fall to 20%. These changes came into effect from 6 April 2016. However, the CGT rates remain at 18% and 28% for residential property gains, non-resident CGT gains, ATED-related gains and gains accruing under the carried interest rules.

The rate of CGT payable on gains depends on the level of the individual's taxable income and gains for the tax year.

Effectively, the rules operate by ensuring that any unused basic rate band (£32,000 for 2016/17) can be used in the most beneficial way to reduce the CGT charged.

The figure for total taxable income and gains is calculated after taking into account all allowable deductions including losses,

personal allowances and the CGT annual exempt amount, which is set at £11,100 for 2016/17.

## Minimising your CGT liability

You might want to consider the following points to help minimise a potential liability to CGT.

### Transfer assets

It may be possible to transfer assets to a spouse or civil partner or hold them in joint names in order to minimise your CGT liabilities. Holding an asset in joint names means the annual exempt amount for each individual (£11,100) is deducted from the gain before tax is due. If appropriate, you might want to transfer full ownership to a spouse or civil partner where their income places them in the lower rate tax band, thereby making use of both income and capital gains allowances. However, this constitutes a legal transfer and you should always seek expert advice before taking action.

### Pension contributions

Pension contributions are deducted from income before an assessment of your tax liability is made. Increasing your pension contributions could therefore allow you to extend the limits of the lower tax rate band. Any gains realised from other assets



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are taxed in accordance with this extended band after allowances have been taken into account.

### Sell gradually

Individuals with a particularly large gain may want to realise it gradually to take full advantage of more than one tax year's allowance. This would then shelter the gain from a higher CGT charge.

### Entrepreneurs' Relief (ER) and the new Investors' Relief (IR)

ER and IR may be available for certain business disposals and have the effect of charging both the first £10 million of qualifying lifetime gains for ER and IR at an effective rate of 10%. IR applies where qualifying shares have been issued by an unlisted trading company on or after 17 March 2016 and have been held for a period of three years from 6 April 2016. Many other rules and conditions apply, so please speak to us first to ensure that you maximise any relief.

**We can help you with all aspects of CGT planning – please contact us for further advice.**

## Revenue extends RTI late filing concessions

The advent of Real Time Information (RTI) has seen fundamental changes to the way in which employers and pension providers report the payments and deductions they have made under PAYE.

The new system has been rolled out over a number of years, and HMRC has granted a number of concessions to businesses during the phasing-in period, most of which have now come to an end.

However, HMRC recently confirmed that it would be extending two of its more recent late filing penalty concessions for a further year.

Under the RTI legislation, employers must make a full payment submission (FPS) detailing payments made to employees on or before the date of payment – with businesses that fail to make their submissions on time being liable to automatic penalties.

Following the introduction of RTI, however, HMRC relaxed its late filing penalty regime in a bid to allow employers time to adjust to the new rules.

HMRC subsequently announced that it would be adopting a 'risk-based approach' to RTI late filing penalties, meaning that only those employers who have consistently filed their FPS late would

be subject to a penalty. In addition, a 'three day easement' was introduced in 2015, applying to all FPS's submitted within three days of the due date. This means that delays of up to three days after the statutory filing date are not liable to a penalty, although employers who consistently file within this three-day grace period will be monitored and may be considered for a penalty.

HMRC has confirmed that it will continue with the three day easement and risk-assessed approach until at least 5 April 2017.

RTI late filing penalties are set to be subject to significant reform from April 2017, as part of a wider review of penalties, with HMRC planning to maintain a focus on taxpayers who 'deliberately and persistently' fail to meet the deadlines, rather than those who make occasional, genuine errors.

**If you have any questions regarding your payroll, please do contact us.**



## Tax Round-Up

### Tax and savings income

Following the introduction of the Personal Savings Allowance (PSA) on 6 April 2016, many individuals will not pay tax on their savings income, and banks and building societies are no longer required to automatically deduct tax from the interest that is paid to customers.

The PSA applies a new 0% rate for up to £1,000 of savings income for a basic rate taxpayer, and up to £500 for a higher rate taxpayer. There is no allowance for additional rate taxpayers.

However, the situation is not necessarily straightforward for all types of savings income. Some forms of interest (such as corporate bonds listed on the London Stock Exchange) have always been paid gross, and this will continue.

In addition, for the 2016/17 tax year, basic rate tax will continue to be deducted at source from some savings income, including interest distributions from open-ended investment companies, authorised unit trusts and investment trusts.

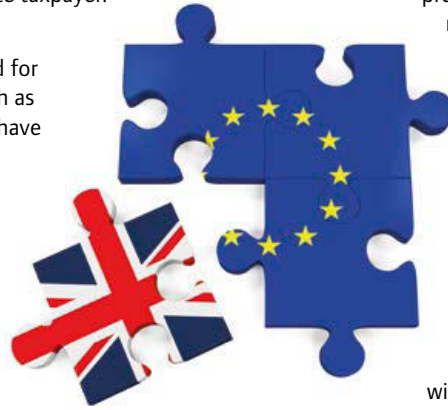
Legislation is set to be introduced from April 2017 to remove these requirements, bringing these types of savings income into line with the treatment of bank and building society interest as covered by the PSA.

### All eyes on the new Chancellor this Autumn

The dramatic events of the summer, which saw both the Prime Minister and the Chancellor leave office swiftly after the country voted to leave the European Union, suggest that this year's Autumn Statement could be a very significant political and economic event.

Soon after taking up his post, the new Chancellor Philip Hammond ruled out the 'emergency Brexit Budget' threatened by his predecessor George Osborne during the referendum campaign, but hinted that under the leadership of Theresa May the Government might take a new approach to fiscal policy, including easing 'austerity' and abandoning the goal of reaching a surplus by 2020.

The Autumn Statement is likely to be the first opportunity for Mr Hammond to introduce new fiscal and tax measures and to indicate the direction the new Government will take in the light of the Brexit negotiations. As recent months bear testament, in politics a great deal can change very quickly, but we will be keeping up-to-date with the latest announcements.



## Tax Tip

### Have you reviewed your Will?

A well-written Will can be a powerful planning tool, helping to ensure that provisions are made for your family and loved ones in the event of your death, whilst also minimising any taxes that may affect your estate.

Reviewing your Will is also an important exercise: even the smallest of changes in your personal or financial circumstances may affect how your property or assets are distributed. Wills should also be re-evaluated to reflect any changes in tax law and ensure that you are continuing to make the most of any estate planning tax breaks.

**We can advise on a range of tax-efficient estate planning strategies, so please contact us today.**

## Reminders for your Autumn Diary

### September 2016

- 1 New advisory fuel rates for users of company cars applicable from this date.
- 30 End of CT61 quarterly period.  
Last day for UK businesses to reclaim EC VAT chargeable in 2015.

14 Due date for income tax for the CT61 quarter to 30 September 2016.

19/22 Quarter 2 2016/17 PAYE remittance due.

31 Last day to file 2016 paper Tax Return without incurring penalties.

### October 2016

- 1 Due date for payment of Corporation Tax for period ended 31 December 2015.
- 5 Individuals/trustees must notify HMRC of new sources of income/chargeability in 2015/16 if a Tax Return has not been received.

### November 2016

1 £100 penalty if 2016 paper Tax Return not yet filed. Additional penalties may apply for further delay (no penalties if online return filed by 31 January 2017).

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