Green&Co
ACCOUNTANTS AND TAX ADVISORS

THE BOTTOMLINE

Considering enhanced capital allowances

Businesses which invest in energy-saving plant or machinery may be able to take advantage of an additional tax break.

Capital expenditure is covered by the Annual Investment Allowance (AIA), which gives full tax relief for capital expenditure in the year of purchase, and covers most plant and machinery up to an annual limit of £200,000. Where expenditure exceeds the AIA, the balance is dealt with via an annual writing down allowance (WDA). The main WDA is currently 18%.

There are, however, some types of expenditure which are only eligible for a WDA of 8%. There are also separate rules for cars, which do not qualify for the AIA.

In addition, there may be occasions when a business could benefit from Enhanced Capital Allowances (ECAs).

What is an ECA?

ECAs are designed to encourage investment in energy-efficient equipment, the initial cost of which often can be more expensive than other products. ECAs offer accelerated tax relief by giving a 100% capital allowance in the year of purchase. A business can therefore benefit where total capital expenditure is more than £200,000.

An ECA may have the effect of turning an accounting profit into a tax loss. Where an ECA claim by a company (but not an income tax business) creates or increases a tax loss, the loss attributable to ECAs can be surrendered for a cash credit.

The loss can only be exchanged for a cash credit if it has first been relieved against other profits, including group relief. In other words, where the unrelieved loss would otherwise be carried forward an exchange for a cash credit is possible. The cash credit was 19% until 31 March 2018 but has now reduced to two-thirds of the corporation tax rate in force for the accounting period. The maximum cash exchange is either the company's PAYE and national insurance liabilities for the year in which the claim is made, or £250,000 if greater.

ECAs are claimed via the corporation tax return or income tax return and it is important to keep records of any purchases or installation costs.

Qualifying energy-saving technology

ECAs are available on the purchase of specific high-performance energy efficient equipment, such as boilers, electric motors, air conditioning and refrigeration systems. Water-efficient technology products such as taps, toilets and industrial cleaning equipment are also eligible.

The Energy Technology List (ETL) identifies particular products which perform to ultra-high levels of energy efficiency. A full list of qualifying products can be found here: https://bit.ly/1qG4ltG.

The Water Technology list consists of 14 categories of water technologies on which ECAs can be claimed, and can be found here: https://bit.ly/2HLy1hj.

The list of eligible assets is updated frequently. Claims for ECAs can sometimes fail as a result of misinterpretation of exactly which products qualify, and it is important that the list is checked when relevant expenditure is made.

We can help with claiming enhanced capital allowances, as well as advising on the timing of capital expenditure. Please contact us for further advice and assistance

Funding your business' needs

If your business is performing well and making a healthy profit, you may be looking at funding options to grow and develop your business. It's also important to ensure that you are making the most of the available tax reliefs and incentives. Here we consider some key financial pointers that could help you to take your business forward.

Considering sources of finance

It is best to consider a number of different finance sources, as this will allow you greater flexibility in the long term. These might range from using retained profits in the business, to external sources such as overdrafts, loans, mortgages, share issues (for a company), assistance from government-backed schemes and from regional authorities, and venture capital.

Lenders usually require some form of security, such as a fixed or floating charge over your business assets. You should be careful of risking your personal assets, such as your home, if the lender requests personal guarantees.

When seeking funding for your business, it is important to consider carefully the most appropriate funding source, and to present a well-prepared proposal to your potential lender. We can help you create a detailed business growth plan, tailored to a carefully selected lending source, to ensure you have a greater chance of being approved.

Available tax reliefs

The Office of Tax Simplification (OTS) recently revealed that many small businesses are not aware of the tax reliefs and incentives that are available to them, due to the complexities of the system. Here we outline some of the key options that may be available to your business:

- Incorporation Relief can be used if you decide to transfer your unincorporated business into a company in exchange for shares for the business owner, without incurring capital gains tax (CGT) at the time.
- The Seed Enterprise Investment Scheme helps companies to raise money when they first start trading by offering tax relief for investors who subscribe to new shares in the company.
- The Enterprise Investment Scheme helps companies to raise money when they are looking to grow, by offering tax relief to the subscribers of new shares. Companies can receive up to £5 million each year, up to a maximum of £12 million in the lifetime of the company (£20 million for knowledge-intensive companies).
- Venture Capital Trusts (VCTs) are large investment groups that are listed on the London Stock Exchange, and have qualifying trading companies that they invest in. Investors subscribe for shares in a VCT, which then provides financial help to develop.
- Employee Ownership Trusts can be used to raise finance from employees by encouraging them to buy shares in the company.
- Gift relief on business assets such as shares in the business ensures that gains can be held over until the individual receiving the gift disposes of it.
- Business Property Relief and Agricultural Property Relief can give you up to 100% inheritance tax relief on business or agricultural assets if you pass them on to your successor in your lifetime.
- Entrepreneurs' Relief and Investors' Relief provide a 10% CGT relief on the sale of qualifying business assets or shares in a qualifying business, up to a lifetime limit of £10 million (for each relief).
- Enterprise Management Incentives can benefit companies and employees where the company's assets are £30 million or less, and companies are looking to grant options over shares to employees.

We can help you to identify the costs and tax implications of different sources of funding, while ensuring that you are claiming all of the tax allowances and reliefs that are available to you. For more information, please get in touch.

HMRC warns over tax refund scams

Fraudsters are currently using emails and SMS messages to target individuals by promising them a tax rebate and tricking them into disclosing their personal and banking details. However, HMRC has confirmed that it will only ever inform taxpayers of any tax refunds by post or through the employer's payroll. Any emails, text messages or voicemail messages you receive informing you of a refund are fraudulent, and should be reported.

Staying vigilant

HMRC has warned that many of these emails and texts contain links to websites that steal personal information, and has advised individuals not to reply to such messages, click on any links or download any attachments.

Criminals are known to take advantage of important events in HMRC's calendar, such as the end of the financial year, an approaching self assessment deadline and the issuing of tax refunds to start sending out phishing emails and texts.

HMRC is currently processing tax refunds for tax returns covering the period 6 April 2017 to 5 April 2018. If a genuine tax refund is due, a letter showing your tax calculation and details on how to get your refund will be sent by post between the months of June and October. If you have not paid enough tax, HMRC will again send details of your tax calculations and instructions on how to make this payment in a letter by post. This can take the form of a P800 or a Simple Assessment letter.

Dealing with a scam

Guidance on how to deal with tax refund scams has been issued by HMRC, advising customers to:

- **Recognise the signs:** genuine organisations will never ask you for your PIN, password or bank details
- **Stay safe:** do not follow any links or download any attachments. Never give out your personal details or reply to any messages you were not expecting
- **Take action:** forward any suspicious emails to phishing@hmrc.gsi.gov.uk and questionable texts to 60599.

Additional information on recognising and reporting a scam can be found on the gov.uk website.

Crossing borders: new rules for UK property transactions

Following significant changes to the property tax regime, there are new rules which affect the cross-border purchase of property

In Scotland, Stamp Duty Land Tax (SDLT) was replaced by the Land and Buildings Transaction Tax (LBTT) for purchases made on or after 1 April 2015. In Wales, SDLT was replaced by the Land Transaction Tax (LTT) for purchases on or after 1 April 2018.

The changes mean that in some cases, the purchase of land and property may now qualify as a 'cross-border' transaction, in which case special rules will apply. The co-existence of these different property tax regimes within the UK means that a property transaction may now incur liability to more than one tax.

This situation could apply where a single property, comprising land on both sides of the English-Scottish or English-Welsh border, is purchased – for example, a farm which straddles both sides of the border.

Liability to multiple taxes could also arise where there is a 'multiple property transaction'. This could apply where there is a single agreed amount of consideration for the purchase of two or more property interests in different UK tax jurisdictions – whether as a single transaction or a number of connected transactions.

So, a multiple tax liability could arise where a purchaser acquires a business including three shops (one in Wales, one in Scotland, and one in England, for example), or where a holiday accommodation business, comprising properties on both sides of the Scottish border, is purchased.

In either of these eventualities, the total consideration must be divided or apportioned on a just and reasonable basis, to determine the appropriate consideration for the part within each UK tax jurisdiction. As with any tax matter, it is open to the relevant tax authority – HMRC, the Welsh Revenue Authority (WRA) or Revenue Scotland (RS) – to challenge any return made, or to enquire into the basis on which apportionment was made.

Example

A farm in Monmouthshire comprising 20 fields, a farmhouse, a bungalow and agricultural buildings is being sold. Nine fields are wholly in England, nine wholly in Wales, and two in both England and Wales. Here apportionment would need to take into account where the buildings are located and the nature of the buildings, as well as any parts of the land that may be more valuable because of location, access, use or development (such as field drainage).

Where the consideration (as apportioned) is more than the limit for notification to the relevant tax authority, a tax return will be needed. So, potentially up to three tax returns may be needed – for SDLT, LBTT and LTT – with payment being made to three different tax authorities.

This is a complex area of taxation. We can advise on all of your tax and property requirements. Please contact us for further information and advice.

Making the most of Gift Aid

Recent research from HMRC has suggested that small charities and some sports clubs are missing out on £600 million in additional funding, with a third of donations failing to add Gift Aid.

Who does Gift Aid apply to?

As well as charities, Community Amateur Sports Clubs (CASCs) can also take advantage of the Gift Aid scheme, meaning that for every £1 donated, the CASC or charity can claim an additional 25p.

The Gift Aid small donations scheme

The Gift Aid small donations scheme (GASDS) allows charities to bypass some of the red tape, with modified rules applying to small donations made after 6 April 2017.

Under the scheme, a charity could potentially benefit from a maximum additional payment of £2,000 per year. It is not necessary to know the identity of donors, or to collect Gift Aid declarations. However, there are still a considerable number of rules relating to record-keeping and banking procedures, and it is important to be aware of these when making a claim.

GASDS can be used for cash donations of £20 or less, or contactless card donations of £20 or less collected on or after 6 April 2017.

There are a number of factors impacting on how much can be claimed, including:

- the amount of eligible small donations received
- the cap on the amount that can be claimed under GASDS
- how much Gift Aid has been claimed in the tax year (the 'matching rule')
- whether the charity or CASC is connected to another charity or CASC.

The maximum annual limit on donations is £8,000. The matching rule specifies that the amount of GASDS top-up that can be claimed depends on the amount of Gift Aid donations received and successfully claimed in that tax year. The maximum is the lower of £8,000 or 10 times the total Gift Aid claim. So, if a charity has received £100 in Gift Aid donations, it can claim on £1,000 worth of small donations through GASDS, so £250 in top-up payments. Where a charity has a 'community building', slightly different rules apply.

Qualifying for GASDS

To qualify for GASDS, the charity or CASC must have successfully claimed Gift Aid:

- in respect of gifts made to it in the same tax year in which the GASDS claim is being made
- without having received a penalty in the last two tax years.

For GASDS claims on donations collected before 6 April 2017, additional rules still apply.

GASDS cannot be claimed for donations for which a valid Gift Aid declaration is made, membership fees, or a £20 portion of a larger gift.

Making a claim

Details to record include:

- the amount collected, including denomination of notes
- date of collection
- confirmation that no single donation was more than £20
- where there are contactless donations, records produced by the contactless terminal.

Such records should be preserved for six years from the end of the tax year to which they relate. Note also that the rules require small cash donations to be banked. If donations are used to cover expenses before being banked, the charity or CASC will not be able to claim under GASDS.

This is for general guidance only, and further rules apply, including in relation to community buildings, where charities (but not CASCs) may be able to claim more on donations.

We can advise on the tax rules governing charitable giving. Please contact us for further assistance.

Where the heart is? Considering the tax implications of homeworking

Homeworking has grown in popularity in recent years, with research revealing that as many as 1.6 million individuals regularly worked from home in 2017. Here we examine some of the tax implications of homeworking.

Determining your employment status

It is important to determine your employment status for tax purposes, as the tax rules can differ considerably. Categories of employment status include workers, employees, the self-employed and contractors. Here, we focus on the tax implications of homeworking for self-employed individuals and employees.

Homeworking and the self-employed

Self-employed individuals can claim tax deductions for expenses that are incurred 'wholly and exclusively' for the purposes of their trade or business. Those who use their home as a workplace are able to claim tax relief – however, expenses may need to be apportioned.

The self-employed can claim for utilities such as heating and electricity, as well as mortgage interest or rent, and a range of other resources, including use of the internet and a telephone. It is important to note, however, that allowable expenses only apply to business costs – if you use an item or a resource for personal reasons, relief cannot be claimed.

In relation to the cost of equipment, self-employed individuals can claim tax relief under the capital allowances system. Reliefs for equipment and supplies used at home are available on the business proportion of the assets.

Employees working from home

Employees who perform all or part of their job from their home are able to claim specific reliefs and allowances. They cannot, however, claim tax relief if they have voluntarily chosen to work from home.

Employees can only claim for supplies and items related to their work (for example, the extra costs of electricity and heating for their workspace), and cannot claim for resources which are used both in the course of doing business and in their personal life, such as rent or access to broadband. Employers may choose to pay their employees up to £4 per week in order to cover any additional costs that may arise as a result of working from home.

Tax relief for equipment

As for self-employed homeworkers, businesses are able to claim capital allowances under the Annual Investment Allowance (AIA) for costs associated with supplying equipment to homeworking employees. There will be no taxable benefit on the employee, provided that the private use of business assets is insignificant. Employers may wish to draw up a policy to outline that the provision of any equipment to the employee is for work purposes only.

Tax relief for travel purposes

HMRC guidance outlines that the availability of tax relief for travel expenses is unaffected by whether or not an employee's home is also their workplace. It also suggests that travel expenses from an employee's home to a permanent workplace will only be eligible for tax relief if the journey 'qualifies as travel in the performance of the duties of the employment'.

However, HMRC also states that, where an employee performs 'substantive duties' at home as an 'objective requirement' of the job, it may accept the employee's home as a workplace for the purposes of the travel in the performance of the duties rule. In such cases, employees are entitled to claim tax relief to cover the costs of travelling from home to other workplaces.

Employees who work from home are also able to claim tax relief on expenses incurred as a result of travel between home and a temporary workplace.

We can help you to obtain any tax relief you may be entitled to – contact us for more information.

Reminders for your diary

September 2018

- **1** New Advisory Fuel Rates (AFR) for company car users apply from today.
- **19** PAYE, Student loan and CIS deductions are due for the month to 5 September 2018.
- **30** End of CT61 quarterly period.

October 2018

- **1** Due date for payment of Corporation Tax for period ended 31 December 2017.
- **5** Deadline for notifying HMRC of new sources of taxable income or gains or liability to the High Income Child Benefit Charge for 2017/18 if no tax return has been issued.
- **14** Due date for income tax for the CT61 quarter to 30 September 2018.
- **19** Tax and NICs due under a 2017/18 PAYE Settlement Agreement.

  PAYE, Student loan and CIS deductions are due for the month to 5 October 2018.

  PAYE quarterly payments are due for small employers for the pay periods 6 July 2018 to 5 October 2018.
- **31** Deadline for submitting 'paper' 2017/18 self assessment returns.

November 2018

- **2** Deadline for submitting P46(Car) for employees whose car/fuel benefits changed during the quarter to 5 October 2018.
- **19** PAYE, Student loan and CIS deductions are due for the month to 5 November 2018.

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