KNIGHT & COMPANY
chartered accountants

www.knightandcompany.co.uk

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TAX E-NEWS

Welcome to our monthly tax newsletter, designed to keep you informed of the latest tax issues.

We hope you enjoy reading the newsletter and remember - we are here to help you so please contact us if you need further information on any of the topics covered.

THE CGT EXEMPTION USING THE NEW SEED ENTERPRISE INVESTMENT SCHEME (SEIS)

We have mentioned this new tax-based scheme before, and more details are now emerging before the scheme starts on 6 April 2012.

One novel feature is that the capital gains tax (CGT) payable on the disposal of ANY chargeable asset in the tax year 2012/13 is exempt if you buy shares under SEIS. How that works has now been announced, and to get full CGT exemption you only need to invest the amount of the gain ï not the whole proceeds of sale. If, for example, you make a gain of £50,000 in 2012/13 on a sale for £80,000, full CGT exemption is available if you invest at least £50,000. If you reinvested £30,000, the gain left to tax is £20,000.

Please talk to us for more details.

WIN £100,000 FROM THE TAXMAN!

A report has confirmed that HM Revenue & Customs (HMRC) plan to give those paying their tax early the chance to win £100,000. The idea is being introduced as a potential means of easing pressure on HMRC, who are looking to find anything that encourages people to file and pay on time.

Full details are eagerly awaited. Letõs hope the chances of winning £100,000 are greater than winning the lottery!

FASTER TAX PAYMENTS

HMRC are increasingly keen for everyone to pay their tax electronically. They now offer a faster payment service from their website and this is undoubtedly a useful move. Before using it you should contact your bank or building society to confirm the services available and to check whether they impose a limit on the amount you can pay this way, in terms of either a single transaction and / or a daily limit. Also ask them about their latest cut-off times for making a payment.

PLANNING MOVES BEFORE THE BIG REDUCTION IN CAPITAL ALLOWANCES

From April 2012, your business (whatever its size or area of activity) will only be able to claim 100% tax write-off on capital expenditure on machinery, furniture and other plant if you spend no more than £25,000 in the year. That compares with a current level of £100,000.

There are several ways of reducing the impact of this big reduction, including careful timing of when you buy. Please contact us to discuss the opportunities in your particular circumstances.

CLOSING DOWN YOUR COMPANY

When the time is right to get rid of your limited company, whatever the reason may be, the most cost-effective way is to distribute the reserves to the shareholders and apply for the company to be struck-off. The costly alternative is to have a formal liquidation which can easily cost somewhere in the region of £7,500.

The problem with the cheaper route is that capital gains tax treatment, in the hands of the shareholders receiving something from the company, is not automatic (as would be the case under a liquidation). Instead certain conditions have to be met; if they are not, the receipts from the company are taxed as income instead.

Under proposals applying from 1 March 2012, the cheaper route will only be available on distributions from the company of a maximum of £25,000. This unwelcome move needs to be fully considered, so if and when your plan is to close the business down please talk to us to maximise the tax attractions. With care the rate of CGT will only be 10% which will usually be a good deal less than being charged to income tax.

2012/13 PAYE NOTICES OF CODING

These are now being issued, something that will continue throughout February and March. Previously, we received a copy automatically, but as a cost-cutting exercise this is no longer the case.
Regrettably, therefore, you can no longer assume that we know about your 2012/13 Code Number unless you send us a copy of the Coding Notice. Please send it to us as soon as you receive it for our immediate attention ï past experience shows that Code Numbers are often wrong.

THE ITALIAN JOB

We often complain about HMRCŏs heavy-handed tactics in collecting tax, but we have it easy compared to what Italian taxpayers will be facing soon in a crackdown on tax evasion. The Italian tax authorities have just released the following mind-boggling data and apparently nobody is disputing its accuracy:

- There are 4 million taxpayers in Italy, with 66% claiming a gross annual income of £16,500 or less.
- 188,000 of taxpayers declaring income up to that level own a Maserati, Ferrari or Porsche and 518 of them own and run a private jet or helicopter.
- Tax evasion is estimated to total Euro 275 billion each year.
- Spot visits to businesses have resulted in admissions that true profits are 6 times what have been declared.

E-mail contacts

Partners

geoffk@knightandcompany.co.uk
tracya@knightandcompany.co.uk

Personal Tax
joyc@knightandcompany.co.uk

Payroll
christines@knightandcompany.co.uk