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# TAX E-NEWS

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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.

## HMRC HELP FOR THEIR CUSTOMERS

The amount of information supplied nowadays by HMRC for taxpayers (or customers as they like to call us, even though we have no choice but to pay tax and to pay it to a monopoly!) is increasing all the time.

You might assume that we take a cynical view of the information supply chain from HMRC, thinking that it treads on our toes and could stop you asking us tax questions. In fact, on your behalf we welcome HMRC guidance and see our role as using some of what they now publish as a way of bolstering the service we provide. Please be assured that we also cast a critical eye over some of the information provided by HMRC, as they do sometimes over-simplify. We will always adapt and adopt their information by reference to your own circumstances.

## COMPANY CAR CHANGES

A number of changes to the income tax charge have been announced, which we touched on in the April Tax E-News. We now have more details and here are a few tasters:

- Increase in income tax charge of 1% of list price for 2013/14
- Another 1% increase for 2014/15
- A further 2% increase for 2015/16, and no longer will there be a nil tax charge for an electric company car
- Another 2% increase for 2016/17, but the 3% diesel supplement is due to go
- 100% tax write-off on buying a low emission company car due to end on 31 March 2015, and from April 2013 the maximum emissions to qualify for 100% tax relief goes down to 95 g/km

As always, plenty of notice has been given but forward planning is essential in this area. We are ready to discuss the company car policies with employers of all sizes and with the car users.

## CAP ON UNLIMITED INCOME TAX RELIEFS DUE FROM 6 APRIL 2013

We mentioned this last time as well, and again more details of the plans have been made known.

Currently you can, in theory, offset your entire income against income tax reliefs, and as a result pay no income tax at all. As unlikely a scenario as that is for most of us, we will have to plan by reference to limits to the amount of income tax relief individuals can claim.

This cap will apply only to reliefs which are currently unlimited and will be the greater of 25% of income or £50,000. The principal reliefs affected are loss reliefs that can be claimed against total income, qualifying loan interest relief and reliefs for charitable giving. There will also be a number of smaller reliefs which are currently uncapped that will be affected.

If you think you might be affected, please contact us for some preliminary advice so that you can consider possible acceleration of tax deductibles before the new rules comes in.

### PLANNING FOR THE REDUCTION IN THE TOP TAX RATE FROM 50% TO 45%

It may seem early to consider this, in view of the reduction not taking effect until the 2013/14 tax year, but that depends on your circumstances.

The scope for deferring income and/or accelerating expenditure can require a long lead-in time. In addition, if profits of a sole trader or partner are based on an accounting period ending near the start of the tax year, the options need to be looked at now. A year end of 30 April means that the year to 30/4/12 is taxed in 2012/13 with a top rate of 50%, whereas the accounting year starting on 1 May 2012 is taxed in 2013/14 with a top rate of 45%.

Changing your accounting date may create advantages . it all depends on the profit pattern, both actual and likely, and we will be pleased to undertake a fresh exercise for you on this.

HMRC estimate that, based on their assumptions of the income shifted from 2010/11 to 2009/10, to avoid the 50% charge, income of £6.25 billion is likely to be shifted from 2012/13 to 2013/14. Let us see the scope for you!

### BUSINESS TURNOVER BELOW £77,000?

If this is you, there is the likely option for you to declare income and expenditure on the cash basis from April 2013, and at the same time claim some expenses on a flat rate basis (even using estimates for small items).

This idea may not necessarily be good news for you, as there will be plenty of losers as well as winners. We will discuss this with you nearer the time as matters progress. We will also help you choose the best option, taking all factors into account including circumstances when you might need to have a full set of accounts produced for non-tax reasons.

### TAX AND NANNIES

Families who pay a nanny in cash are to be targeted by HMRC. Under the crackdown, families now need to contact HMRC every time they pay their nanny, instead of just each quarter as previously applied under the simplified PAYE scheme.

It is estimated that there are more than 30,000 nannies working in England alone - and a survey found that a fifth of them worked without tax or NICs being deducted. In theory, this adds up to a loss in tax totalling approximately £57m a year.

Please contact us for details if you have any concerns in this area.

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