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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 RELAXES RTI REPORTING ARRANGEMENTS FOR SMALLER BUSINESSES

Businesses with fewer than 50 employees can benefit from a temporary relaxation of the Real Time Information (RTI) reporting arrangements. Until 5 October 2013, employers with fewer than 50 employees who pay their staff weekly or more regularly and find it difficult to report at the time of payment may now send information by the date of their regular payroll, but no later than the end of the tax month (which of course is the 5th of the month)

HMRC has confirmed that for 2012/13, penalties will not be applied for inaccuracies found within the in-year Full Payment Submission (FPS). However, they may be charged after the end of the tax year based on the final FPS for the year.

Penalties may also apply for inaccuracies found within the in-year returns for the 2013/14 tax year, using existing criteria. From 6 April 2014 there will be new late filing and late payment penalties.

## DISCLOSURE AGREEMENTS WITH ISLE OF MAN, JERSEY AND GUERNSEY

These new agreements involve a planned automatic exchange of information from 2015 on all accounts held in these offshore areas. They include a disclosure facility to allow UK resident investors with accounts to come forward and settle their past UK tax affairs before information on their accounts is automatically shared between the governments. Similar arrangements are expected to be announced for Luxembourg.

If you know of anyone with an undeclared account in any of these offshore islands do please help them (and us!) by kindly referring them as we will be able to get the best tax deal possible. That can involve penalties at a low rate of 10% or 20% in some cases.

The disclosure facility operates from 6 April 2013 until September 2016. It will not be open to individuals already under investigation but will cover liabilities dating back to April 1999 at the earliest.

These types of arrangements are proving a real money spinner for HMRC. They were originally expected to bring in over £5billion over the next six years but they have upped that to £9billion based on what they have collected so far!

## SCOTTISH INCOME TAX IS ON ITS WAY

If you are resident in Scotland we will be ready to advise on this potential new burden. The Scottish rate of income tax will apply probably from April 2016. It will be administered by HMRC as part of the UK-wide tax system, but it will be the Scottish parliament that will decide the rate.

The Scottish rate will then be added to each of the UK main rate bands, after 10 pence in the £ has been deducted from each rate. No prizes then for guessing the likely Scottish rate!

## IHT EXEMPTION WHERE RECIPIENT SPOUSE / CIVIL PARTNER IS NON-DOMICILED

If you or your spouse/civil partner are in this position you will probably know that the normal inheritance tax (IHT) exemption of an unlimited amount for transfers between you (lifetime gifts and on death) is restricted to only £55,000.

That in fact was increased from 6 April 2013 to the level of the nil rate band of £325,000 and will then increase in line in the future.

Where this is still an issue it will be possible for the recipient to elect to be treated as UK domiciled, so that all transfers from their spouse or civil partner will be exempt transfers but on the other hand it will bring all overseas assets into the IHT fold. The election only applies for this IHT treatment, and can be made at any time after marriage or registration of the civil partnership. It can apply from a chosen date from 6 April 2013 but going back no further than 7 years.

An election after a death from 6 April 2013 will be valid if made within 2 years or such longer period as HMRC may allow. This will provide plenty of flexibility, especially on a death, and with careful planning the overall IHT burden can be minimised.

## TAX DIARY OF MAIN EVENTS FOR MAY/JUNE 2013

Date	What's Due
1 May	Corporation tax for year to 31/7/12
19 May	PAYE & NIC deductions, and CIS return and tax, for month to 5/5/13 (due 22 May if you pay electronically); filing of 2012/13 end of year forms P35 and P14
1 June	Corporation tax for year to 31/8/12
19 June	PAYE & NIC deductions, and CIS return and tax, for month to 5/6/13 (due 22 June if you pay electronically)

## CGT REINVESTMENT RELIEF

In the last tax year 2012/13 it was possible to eliminate CGT on a gain if you reinvested at least the amount of the gain into a risk investment under the Seed Enterprise Investment Scheme (SEIS).

This valuable CGT relief has been continued into the current tax year, but with a restriction in that only half the qualifying reinvested amount can be set against the chargeable gains. It is therefore never possible to shelter more than half of the gain via an SEIS reinvestment.

What this means is that with SEIS relief at 50% and CGT reinvestment relief available on half of the gain, the total tax relief on offer is 64%. Well worth considering!

## SLEEPING OR INACTIVE LIMITED PARTNER?

HMRC have suddenly announced that they now consider that Sleeping and Inactive Limited Partners are liable to pay Class 2 NICs as self-employed earners and Class 4 NICs in respect of their taxable profits.

Sleeping or Inactive Limited Partners who have not paid Class 2 or Class 4 NICs for a past period will not be required to pay them but they will be expected to do so from now on.

You may be able to still avoid NICs by seeking exemption due to small levels of earnings, or going for deferment in certain circumstances. There may also be a legal argument to use against HMRC and we will keep you up to date on any developments.

### E-mail contacts

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