KNIGHT & COMPANY
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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.

GUIDANCE FROM HMRC ON THE NEW SEED INVESTMENT SCHEME (SEIS)

This new, heavily tax based investment opportunity is attracting plenty of attention. This is hardly surprising considering that the scheme offers income tax relief at a fixed 50%, plus capital gains tax exemption if you reinvest the amount of the gain into an SEIS investment.

We can advise prospective investors and companies looking for funding, and we have now received useful guidance from HMRC to help ensure that the requirements for tax relief are met. As you can imagine (given the size of the tax breaks), important conditions need to be met and great care is needed when considering any SEIS investment.

If a company wants to raise funds via SEIS, we can contact HMRC to ask whether the company's line of business qualifies (as not all of them do unfortunately). A company can raise a maximum of £150,000 for a new trade, and an investor can own a maximum of 30% of the shares (including those owned by some relatives and other people connected with them).

THE REAL TIME INFORMATION SYSTEM FOR PAYE

This revolutionary development in the PAYE system will involve many fundamental changes. If you do your own payroll you need to be up to speed with what RTI is all about.

For every occasion that an employee is paid, the details must be reported to HMRC. The idea is that it will make it much easier to ensure the right amount of tax and national insurance is paid at the right time. This in turn will reduce the need for end-of-tax-year reconciliations.

Cynics argue that the new system is coming in so that the new universal credit benefit system (due in October 2013) will work from up-to-date earnings information. RTI should give cost savings to employers in due course, but there will be initial costs of switching to the new scheme. Payrolls for domestic staff will no longer be able to use a simplified scheme, meaning extra complications. Moreover, an employee paid less than the lower earnings level (so no NICs) must have their earnings reported, unlike under the current system.

Savings in completing forms will arise, as no annual form P35 or P14s will be needed, but forms P60 and P11D will still be with us.

All employers will have to switch to RTI by October 2013, but most will be able to do so by April 2013. Now is the time to address the issue by reference to your own circumstances, unless we handle your entire payroll for you. If you are what the EU calls a "micro employer", meaning that you have less than 10 staff, you will have to use RTI without any concessions to reflect the number of employees in the business.

Please contact us for full assistance.

NEW HMRC TRACKER SERVICE

If you are an employee, or you pay tax on a company pension through PAYE, you can use the new HMRC tracker service to check how long it will take HMRC to:

- pay your income tax refund
- reply to your general income tax enquiry
- provide a copy of individual information, such as your tax code or pay and tax details
- send you HMRC forms or stationery

Whilst as your agent we will normally use this tracker system on your behalf and for our mutual benefit, you can use it yourself where you have been in touch with HMRC direct.

PATENT BOX TAX RELIEFS

Following the launch of the patent box, HMRC have published a guide advising UK companies about how they can pay less tax on profits generated from their patented inventions. From April 2013, any profits from inventions that are protected by a UK patent will be taxable at a significantly lower rate of corporation tax. The relief will be phased in from April 2013, starting at around 15% and falling to 10% by 2017.

In order to receive the tax break, companies must own or exclusively license-in the patents and must have undertaken qualifying development on them. The much-publicised rate of 10% will not actually apply until 2017. Instead, the tax rate that will apply to qualifying profits in the coming financial year will be 15.2%. The tax reduction will be tapered, so the 10% rate will only apply to 60% of the qualifying profits in 2013/14, rising to the full 100% of profits in 2017. Whist clearly of limited interest to many companies, the size of the tax relief means that all opportunities need to be properly identified.

CHILD BENEFIT SCARES

The clawing back of child benefit in situations where one partner has an income of over £50,000 (in the current tax year) starts on 7 January 2013. Until then, there are plenty of scare stories doing the rounds; what is clear is that the system is likely to be an administrative nightmare if you find yourself caught in this trap.

HMRC admit that no fewer than 1.2 million families are likely to be affected, with no less than 500,000 expected to start having to file an income tax return. Remember, all of this is to merely claw back child benefit through the tax system. If either partner has an income of at least £60,000, there is no child benefit to enjoy. In cases where an income is between £50,000 and £60,000, a muted benefit applies.

Some commentators estimate that over 350,000 mothers who do not work could be hit further. Full time mothers receive national insurance credits towards their state pension as recognition of their responsibilities to care for children under 12. The worry is that, in cases where their partner earns an income of £60,000, these mothers will not claim their child benefit entitlement as it would be clawed back via the income tax bill. This would mean that they would not receive their national insurance credits. The Treasury has denied this, but it would be good to have this confirmed officially!

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