
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.

CASH BASIS FOR SMALL BUSINESSES *plus* FIXED RATE DEDUCTIONS

This new option for some small businesses needs careful consideration, particularly if you are self-employed and have annual turnover of less than £79,000.

You can choose to:

- use the cash basis with or without also using fixed rate deductions
- use accruals accounting with or without also using fixed rate deductions

The fixed rate deductions cover motor expenses and the use of your home as an office, and are available irrespective of your turnover. We will consider all of the issues before making a recommendation as to the best options in your particular circumstances.

100% TAX WRITE-OFF FOR A LOW EMISSION CAR

If you buy a new car for your business that has CO2 emissions of no more than 95g/km, you can claim a full deduction against your business profits. There are approximately 30 cars that fall into this category, but the list is growing.

If you run your business as a limited company, the private use element is reflected in an income tax charge as a benefit. This is also based on CO2 emissions, but the tax charge is low to reflect low emissions.

If you are a sole trader or partner, the private use element is reflected simply by a reduction in the 100% tax write-off. For example, 10% private use means that 90% of the cost is tax deductible. If you reduce your self-employed activities while still owning the car (perhaps through planning a phased retirement), you can create a tax opportunity. Upon selling the car, the sale proceeds are charged to tax, as you originally obtained tax relief on the full purchase price. This charge to tax is then reduced by reference to private use on what is called a just and reasonable basis. For example, an increase in private use to 25% by the time the car is sold can result in a tax charge on only 75% of the proceeds, rather than the 90% you might have thought.

HMRC provide guidance on this and we will always be ready to get the best tax deal for you in these circumstances.

CLASS 2 NICs COLLECTION

Consultation is underway as to whether Class 2 national insurance contributions should be collected via self-assessment, in the same way as income tax and Class 4 NICs. It seems likely that this will go through, replacing the current method of collection via direct debits or quarterly demands.

CODING OUT TAX DEBT

HMRC are looking to increase this activity, which involves the collection of tax debts by way of reducing your Code Number used when calculating PAYE deductions on earnings.

There would be no change to the current £3,000 maximum that can be coded out for individuals earning less than £30,000, and the current coding out limit of 50% of gross pay for a pay period would also remain. Indeed, HMRC also proposes to extend the current 50% K-code limit to all tax codes, so that employers and pension providers do not make tax deductions in excess of 50% of an individual's relevant pay.

The main change proposed is to introduce a graduated, income-related scale for earnings of £30,000 or more so that a maximum of £17,000 could be coded out for a person with earnings of over £90,000

An increase in the maximum amount that can be collected under PAYE may be welcomed by individuals who would prefer to spread payment over a longer period. It is also true to say that some taxpayers do not want coding-out of self-assessment liabilities, but here as currently coding-out will be automatic within the new limits unless a positive claim is made not to use that method of collecting tax. We will ask which method you prefer if you find yourself with tax to pay outside of the PAYE regime; we will then make an entry in your tax return to show your choice.

NEW TAX RELIEF ARRANGEMENT OF SMALL CASH DONATIONS TO A CHARITY

Previously, cash deposits made into a charity collection box would offer no tax refund to the charity. This has now changed; a cash donation of no more than £20 is treated as a gift, after deduction of basic rate tax, which the charity can now reclaim.

This is subject to a modest overall limit to the charity of generally £5,000 a year.

Within this limit, therefore, a cash donation is just as valuable to a charity as a payment through Gift Aid, a cheque, a direct debit or a bank transfer. If you pay tax at more than the basic rate, there is no higher rate tax relief due to you on a cash donation. If this kind of relief is what you wish for, you need to use Gift Aid as before.

TAX DIARY OF MAIN EVENTS FOR SEPTEMBER / OCTOBER 2013

Date	What's Due
1 September	Corporation tax for year to 30/11/12
19 September	PAYE & NIC deductions, and CIS return and tax, for month to 5/9/13 (due 22 September if you pay electronically)
1 October	Corporation tax for year to 31/12/12
19 October	PAYE & NIC deductions, and CIS return and tax, for month to 5/10/13 (due 22 October if you pay electronically)

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