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.

AMORTISATION OF GOODWILL

If you buy the goodwill of a business you will often be able to claim corporation tax relief on the amount of the purchase price which is amortised in the accounts.

The question then is at what rate can goodwill be amortised? There are new developments on this. In the USA there is a statutory deduction of 20% per annum over 5 years, but it is now understood that ordinarily HMRC will accept amortisation over 3 years, based on 1/3rd of the cost being claimed each year.

A new FRS 102 may be adopted for accounting periods beginning on or after 1 January 2015, but with the right to apply it earlier to accounting periods ending on or after 31 December 2012. FRS 102 requires amortisation over the expected useful economic life, but if the entity is unable to make a reliable estimate of what the useful life is, it must not exceed 5 years. Accordingly, amortising over 3 years may still be acceptable.

DATA ON COMPANY CARS

If a car is provided by reason of an employment and is available for private use, there is ordinarily an income tax charge on an amount which is calculated as a variable percentage of the original list price, the variation depending on the level of the car's CO_2 emissions.

Not surprisingly, company cars are not as popular as they used to be, due to a combination of cost, depreciation and the tax charge. Nevertheless they account for about 50% of all taxable benefits.

Other interesting data includes the fact that there are 30 million cars in the UK, of which 1 million are company cars. Of the company cars, 250,000 involve some private use fuel being provided despite the high tax charge. This is clearly a concern and means that anyone who is provided with some private use fuel for their company car needs to review the position as the chances are that they are paying tax on far more than the benefit is really worth and they would be better off to replace the fuel with extra pay.

SPECIAL RELIEF

This valuable relief is worth knowing about. It effectively extends the right to claim OVERPAYMENT RELIEF to cover tax overpaid where ordinarily the deadline of four years after the end of the tax year concerned has not been met. It can only apply if specific conditions are met. In particular you have to show that it would be unconscionable to seek to recover the amount, or to withhold repayment of it if already paid, and also your tax affairs have to be otherwise up to date or arrangements have been put in place to bring them up to date so far as possible. Recent case law gives more ammunition to claim special relief in certain circumstances.

NEW HMRC APPROACH TO BUSINESS RECORDS CHECK (BRCs)

The BRC programme involves on-site visits to encourage taxpayers to keep better records, and to keep up to date. The checks help and encourage SMEs, say HMRC, to improve the standard of records they keep and consequently help them to send correct returns to HMRC.

A new approach in specified geographical areas reflects the fact that taxpayers whose records were not adequate on first inspection, and who received follow up visits, all improved their record-keeping standard.

HMRC have not had to charge any penalties – that's an encouraging admission on its own!

HMRC's BRC activity in the Edinburgh, Glasgow, Leeds, Bradford and Stockport areas will explore new ways of using the checks. As part of this, HMRC will evaluate new risk processes and ensure new approaches are cost-effective and fit with its wider compliance activity.

Originally the BRC initiative was expected to raise £600million in extra tax. That was dramatically downgraded to £62million in February 2012. The new approach emphasises the educational aspect and reflects the fact that HMRC found that most businesses do keep adequate records. Whether they expect to collect extra tax now from BRCs has to be open to doubt!

CLASS 4 NICs HAVE TO BE PAID UP TO STATE RETIREMENT AGE EVEN WHERE THAT IS INCREASED

It needs to be appreciated that Class 4 NICs are only not due by the self-employed with profits in excess of the lower annual profits limit if under 16 or he/she reached state pension age (SPA) before the start of the tax year in question.

The start of the tax year is 7 April for this purpose, so anyone born on 6 April is exempt for the tax year which factually started on that day.

As and when the SPA rises, liability to Class 4 NICs continue. As an example, a woman born on or before 5 April 1951 is not liable to Class 4 NICs as from 2012/13, whereas when her SPA was 60 they ceased to be due from 2011/12.

NICs AND SELF-EMPLOYED ENTERTAINERS

Entertainers will be treated as self-employed for NIC purposes from 6 April 2014 instead of being deemed to be employed earners. This is a reversion to the rules which applied up to 1998.

For this purpose an entertainer is defined as someone engaged as an actor, singer or musician, or in any similar performing capacity, other than under a contract of service.

The average annual income of an entertainer engaged as an actor or in any similar performance category is £12,000.The total annual performing work for an average entertainer is only between 12 and 14 weeks, so most at some point supplement their earnings with outside employment. Benefit entitlements will be affected under the new rule, as up to 5 April 2014 entertainers could claim jobseekers' allowance when not working. As a self-employed person, however, the universal credit will be reduced.

As a positive step the change should result in the UK being more competitive as a production location, with the 13.8% employer's NIC ceasing to apply.

TAX DIARY OF MAIN EVENTS

Date	*What's Due*
19 December	PAYE & NIC deductions, and CIS return and tax, for month to 5/12/13 (due 22 December if you pay electronically)
1 January	Corporation tax for year to 31/3/13
19 January	PAYE & NIC deductions, and CIS return and tax, for month to 5/1/14 (due 22 January if you pay electronically)
31 January	Deadline to file 2013 SA tax return online
31 January	Income tax balancing payment for 2012/13, plus CGT for 2012/13
31 January	Income tax 1st payment on account for 2013/14

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