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.

RTI - PAYROLL PROCESSING FOR SMALLER EMPLOYERS - CORRECTION

Last month we mentioned that the submission date for Real Time Information (RTI) was to be relaxed for employers with fewer than 50 employees who may continue to submit their payroll data by 5th of the following month. This concession will be extended to 5 April 2016 for existing employers with 9 or fewer employees (and their agents) not fewer than 50 employees as previously stated.

RTI PENALTIES NOW DELAYED!

HMRC have just announced that the penalties for late RTI returns will now start from October 2014 instead of April 2014, although interest will run on late PAYE and NIC payments from April 2014

YEAR END PENSION PLANNING

Take advantage of the pension carry forward rules in order to benefit from any unused allowances from the previous three tax years. This is generally the difference between £50,000 and the pension input each year and can be added to your relief for 2013/14. Note that the annual pension allowance reduces to £40,000 from 6 April 2014.

From 6 April 2014, the lifetime pension allowance, which determines the amount you could save into pensions and receive tax relief will be reduced to £1.25 million. Apply for fixed protection before 6 April 2014 to continue to benefit from the current £1.5 million lifetime allowance.

MAKE CHARITABLE PAYMENTS UNDER GIFT AID TO SAVE MORE TAX

Higher rate taxpayers should make any charitable payments under Gift Aid so that you obtain additional tax relief. The charity will also be able to reclaim the basic rate tax from HMRC. Note also that Gift Aid can be carried back for relief in the previous tax year.

AVOID LOSING YOUR PERSONAL ALLOWANCE

For every £2 that your adjusted net income exceeds £100,000 the £9,440 personal allowance is reduced by £1. Pension contributions and Gift Aid can help to reduce adjusted net income and save tax at an effective rate of 60%.

YEAR END CAPITAL GAINS TAX PLANNING

Have you used your 2013/14 annual exemption of £10,900? Consider selling shares where the gain is less than £10,900 before 6 April 2014. Also, if you have any worthless shares consider a negligible value claim to establish a capital loss. You may even be able to set off the capital loss against your income under certain circumstances.

TAKE ADVANTAGE OF YOUR 2013/14 ISA ALLOWANCES

Your maximum annual investment in ISAs for 2013/14 is £11,520 (up to £5,760 of which can be saved in a cash ISA). Your investment needs to be made before 6 April 2014. In addition have you thought about investing for your children or grandchildren by setting up a Junior ISAs or pensions? In the 2013/14 tax year, you can invest £3,720 into a Junior ISA for any child under 18 who does not have a Child Trust Fund.

OTHER TAX EFFICIENT INVESTMENTS

If you are looking for investment opportunities, have you considered the Enterprise Investment Scheme (EIS), which offers income tax relief of 30 per cent as well as capital gains tax relief? An even more generous tax break is available for investment in A qualifying Seed EIS company where income tax relief at 50 per cent is available, together with a capital gains tax exemption on disposal and the ability to shelter 50% of your capital gains in 2013/14. A 30% income tax break is also available by investing in a Venture Capital Trust.

INHERITANCE TAX PLANNING BEFORE 6 APRIL 2014

Have you made use of your annual inheritance Tax exemptions? The general annual exemption is £3,000 per donor (plus last year's £3,000 exemption if you did not use it). Also consider making regular gifts out of your income to minimise the growth of your estate that will be liable to IHT.

TAKE ADVANTAGE OF THE £2,000 EMPLOYMENT ALLOWANCE FROM 6.4.2014

The new £2,000 "employment allowance" that provides relief from paying employers NIC on the first £2,000 of contributions starts 6 April 2014. For many employers the benefit of the £2,000 relief will be obtained in month 1 by reducing employers NIC payable, for others it could take several months before credit for the £2,000 is obtained on a cumulative basis.

This new relief appears to be available to most employers, including one man band companies, and leads us to consider a change of profit extraction strategy from 6 April 2014 as it will be more advantageous to increase directors' salaries to £10,000 instead of the NIC threshold of £7,956.

The extra £2,044 will save £409 (20%) corporation tax (£818 for two directors) whereas the additional employees NIC would be just £245 each.

Husband and wife company - from 2014/15:

Salary -	£9,755 net = gross	£10,000
Dividend up to BR band	£28,678 net = gross	£31,865
Top of BR band		£41,865
Net cash extracted (each) £38,433		
Total extracted	**£76,866**	

There would however be 20% corporation tax payable. Profits before tax £71,695 @ 20% = £14,339 corporation tax, thus profits before salaries and tax would be £91,695.

This results in an overall tax and NIC rate of just 16.2%.

A salary in excess of £10,000 would attract income tax (at 20%) and employee's NIC at 12.2%.

MAXIMISE TAX RELIEF FOR CAPITAL EXPENDITURE

Those running a business should take advantage of the temporary increase in the Annual Investment Allowance (AIA) to £250,000. 5th April 2014 is not relevant for this tax break as the limit continues until 31 December 2014, although there are complex transitional rules. AIA provides a 100% tax write off for plant and equipment used in your business. This tax relief extends to fixtures and fittings within business premises such as electrical, water and heating systems.

NO INCOME TAX ON DIRECTOR AND EMPLOYEE LOANS UP TO £10,000

The current £5,000 limit for cheap or interest free loans to directors and employees increases to £10,000 from 6 April 2014. This means that such loans will not need to be reported on form P11d and there will be no income tax or national insurance liability on loans up to the new limit. However, as previously reported in these newsletters, there may be a 25% corporation tax charge payable by the company if the loan is to a shareholder and is still outstanding 9 months after the end of the accounting period.

TAX DIARY OF MAIN EVENTS

Date	*What's Due*
1 March	Corporation tax for year to 31/5/13
19 March	PAYE & NIC deductions, and CIS return and tax, for month to 5/3/14 (due 22 March if you pay electronically)
1 April	Corporation tax for year to 30/6/13
5 April	End of 2013/14 tax year, Many tax actions need to be taken by this date (see above). 2014/15 Tax year begins

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