

TAX NEWSLETTER

Welcome to our monthly newsletter. We hope you enjoy reading this newsletter and find it useful.

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- Ask us about management accounts
- Ask us about our virtual financial director service
- Are we being proactive enough for you?

November 2019

WHEN WILL BUDGET DAY BE NOW?



It was announced on 14 October that Sajid Javid's first budget would be on 6 November but with a general election in December when will it be now?

The current political uncertainty makes it difficult to give clear tax advice as a number of key proposals in the draft Finance Bill scheduled to take effect from April 2020 might not now take place, due to the December general election.

The key tax measures "in limbo" until legislated in Finance Act 2020 are:

- Extending the "off-payroll" working rules to the private sector
- Restricting R&D repayable credit for SMEs
- Limiting CGT private residence and lettings reliefs
- The proposed 2% reduction in P11D car benefits

The "off-payroll" working rules will almost certainly proceed, even if not from 6 April 2020, and thus businesses and workers affected should prepare for the planned changes. Contact us if you need help in assessing the likely impact on your business.

APPLY FOR MORE TIME FOR MTD DIGITAL LINKS

For VAT periods starting on or after 1 April 2020 (or 1 October 2020 for deferred businesses) your accounting systems must use digital links for any transfer or exchange of data between software programs, products or applications used as functional compatible software. That is the end of the current 12 month "soft landing" extension.

Businesses with complex or legacy IT systems may require a longer period to put digital links in place. These businesses can apply to HMRC for additional time to put the required digital links in place. If your business qualifies then the additional time will be granted as a specific direction from HMRC.

If, for example, your company purchases another business it may take additional time to digitally link different software applications or packages to meet the MTD legal obligations. HMRC will consider an application to extend the digital link deadline longer than the "soft landing" period. That would mean the businesses would continue to be able to "cut and paste" during the extension period.

GOVERNMENT FUNDING TO HELP YOU PREPARE FOR CUSTOMS CHANGES

£16m in new government funding is now available to help businesses

train staff in making customs declarations, and to help businesses who support others who trade goods to invest in IT.

This will ensure that trade with the EU continues as smoothly as possible after Brexit on 31 October. Grants can be used to support:

1. Training costs for businesses who complete customs declarations, or who intend to in the future
2. Funding for IT improvements, which is available to small and medium sized employers who are currently involved in trade as an intermediary

KEEP DETAILS OF YOUR DIRECTOR'S LOAN ACCOUNT, AND KEEP IT IN CREDIT

In a recent Tax Tribunal case the judge agreed with HMRC that a detailed breakdown of directors loan account transactions is required, including dates.

The significance is that where the loan account is overdrawn (debit balance) there may be a possible P11d benefit on the director and also a tax charge on the company. A taxable benefit in kind would arise where the loan exceeds £10,000 and the interest paid is less than the HMRC official rate, currently 2.5%.

In addition, if the director is also a shareholder of a close company, there is a 32.5% tax charge payable by the company making the loan where the loan is still outstanding 9 months after the end of the

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accounting period.

Thus, you can see why HMRC may require a detailed analysis of transactions between the director and the company.

Note that where the loan is repaid to the company and a similar amount withdrawn within a 30 day period the tax legislation matches the repayment with the new "loan" and consequently the original loan would still be outstanding.

NO CAPITAL ALLOWANCES FOR EQUIPMENT IN A "DWELLING HOUSE"

As a general rule, there are no capital allowances available for expenditure on plant and machinery in a dwelling house.

In a recent Tax Tribunal case it was decided that only equipment installed in the "common parts" of a dwelling house qualifies for tax relief. This would typically comprise a common entrance lobby, corridors, stairs or lifts and those parts of the building which do not provide any living facilities.

A major exception to this rule is where the property qualifies as furnished holiday lettings where the business is treated as if it is a trade. Consequently, assets such as beds, sofas, televisions and white goods would qualify for capital allowances as plant and machinery in such a business.

Note also that the new Structures and Buildings Allowance is not available in respect of "dwellings" nor structures in the garden such as a garden office.

FURNISHED HOLIDAY LETTINGS BUSINESSES ALSO QUALIFY FOR CAPITAL GAINS TAX RELIEF

As mentioned above furnished holiday lettings businesses are eligible for capital allowances on equipment in the property. Where the business incurs finance costs such as mortgage interest the restriction that applies to other residential property businesses does not apply to furnished holiday lettings.

It should also be noted that qualifying furnished holiday lettings businesses are eligible for a number of important reliefs from capital gains tax. "Rollover" relief would apply where the proceeds of sale of a property are reinvested in another qualifying asset and it is also possible to claim holdover relief on the gift of the whole or part of property business. Note also that entrepreneurs' relief would be available on the disposal of the furnished holiday lettings business.

As mentioned in a previous newsletter the Office of Tax Simplification have recommended that furnished holiday lettings businesses should qualify for inheritance tax (IHT) business property relief which, if legislated, should mean no IHT payable when the business is passed on during lifetime or on death.

COLLECTING UNPAID TAX FOR 2018/19 THROUGH YOUR PAYE CODING

Under certain circumstances it is possible to arrange the collection of unpaid tax through your PAYE coding rather than making a balancing payment on 31 January.

This will depend upon the amount outstanding and the amount of income taxable under PAYE. There is a further condition that the return is submitted to HMRC online before 30 December 2019 in order that the 2018/19 tax may be collected by amending the 2020/21 PAYE coding.

So please get your tax return information to us as soon as possible if you would like to take advantage of this facility.

DIARY OF MAIN TAX EVENTS

NOVEMBER / DECEMBER 2019

Date	What's Due
01/11/19	Corporation tax for year to 31/01/2019 unless quarterly instalments apply
19/11/19	PAYE & NIC deductions, and CIS return and tax, for month to 5/11/19 (due 22/11 if you pay electronically)
01/12/19	Corporation tax for year to 28/02/2019 unless quarterly instalments apply
19/12/19	PAYE & NIC deductions, and CIS return and tax, for month to 5/12/19 (due 22/12 if you pay electronically)
30/12/19	Deadline for filing 2018/19 tax return online in order to request that HMRC collect outstanding tax via the 2019/20 PAYE code

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