HOLLIS AND CO

CHARTERED ACCOUNTANTS

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JANUARY NEWSLETTER

Real Time Information reporting update?

Many smaller employers have had a difficult time adapting their payroll systems to accommodate Real Time Information (RTI) reporting for PAYE. Following a survey of employers, HMRC announced in December 2013 that it will give existing small employers another two years in order to adapt their payroll processes in order to be RTI compliant.

The concessions operating for RTI reporting going forward are now as follows:

Up until 5 April 2014:

- Employers with up to 50 employees: PAYE is reported under RTI by the end of the tax month in which the employee is paid. So if you are paying employees in January 2014, you must file a Full Payment Submission (FPS) for the month by 5 February 2014 at the latest.

Up to 5 April 2016:

- Existing employers with less than 10 employees must report PAYE under RTI by the end of the tax month as outlined in the example above.
- New small employers and all other employers must report PAYE on or before payment is made to employees. So, if paying an employee May's salary on 28 May 2014, for example, you must file an FPS with HMRC on or before 28 May.

NICs: savings for employers

From April 2014 all employers will receive a £2,000 Employment Allowance that may be offset against employer's NICs (ER's NICs), so reducing the cost of employing staff.

ER's NICs are payable at a rate of 13.8% on employment earnings in excess of £153 per week (£7,956 p. a.). Taking this into account, an employer therefore could pay a single employee a salary of £22,448, or they could take on a number of part-timers on variable salaries and in some cases pay no ER's NICs at all.

From 2015 ER's NICs will also be abolished for any employees under 21 with earnings of up to £813 per week (£42,276 p.a.).

Both reliefs will have a positive effect for many employers and so it is advisable to start considering staffing and salary levels prior to these changes. We can help you with the necessary calculations in order to calculate optimum salary levels and pay rates.

Tax Calendar

January 2014

14 Due date: CT61 income tax quarter to 31st December 2013.

19/22 Quarter 3 PAYE/NICs payments due (for quarter ended 5th January).

Monthly PAYE/Class 1 NICs/ student loan and CIS payments due.

19th for non-electronic payments, 22nd for online payments.

31 Deadline for online submissions of Self Assessment tax return for tax year ended 5th April 2013.

Deadline for paying 2012/13 Self Assessment 'balancing payments'.

Deadline for first Self Assessment payment on account for 2013/14.

Deadline for amending 2011/12 tax return.

February 2014

1 £100 penalty for late filing of 2012/13 Self Assessment tax return.

2 Quarterly submission of P46 (car) (for employees whose car and/or fuel benefit has changed in the quarter to 5th January.

19/22 Monthly PAYE/Class 1 NICs/student loan and CIS payments due.

19th for non-electronic payments, 22nd for online payments.

28 Pay any 2012/13 tax due to avoid a late payment penalty.

March 2014

3 First 5% penalty surcharge on any 2012/13 tax due on 31st January 2014 which is still unpaid.

19/22 Monthly PAYE/Class 1 NICs/student loan and CIS payments due.

19th for non-electronic payments, 22nd for online payments.

April 2014

5 End of 2013/14 tax year.

Last day to use up your annual exemptions for capital gains tax, inheritance tax and ISA's.

6 Start of 2014/15 tax year.

This news letter is written for general interest only. Hollis and Co do not accept any liability for any reliance placed on its content. Please contact us for further specific advice before acting.

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Private Residence Relief – moving on?

The practice of 'flipping' second homes in order to avoid capital gains tax (CGT) is being reined in by the Government from 5 April 2014.

A gain made on the disposal of an individual's nominated private residence is exempt from CGT. The last three years of ownership of your private residence are always treated as periods of owner occupation (even if not actually occupied) and so any capital gain made pro-rata in the last 3 years of ownership is free of CGT. From April 2014 this period is reduced to 18 months.

The reduction may well curtail tax planning opportunities for those who are thinking of flipping their private residences in order to avoid tax. An election to nominate a second home as a private residence must be made within a two-year time limit; and so whilst it may still be possible to flip and make elections between a couple of properties it means that the practice of buying and then letting out second homes and still avoiding CGT may be more difficult on a practical basis. Other points to note about this complicated relief are that another CGT relief still applies when an ex-main residence is let out, but relief is not given for a home that is acquired with the intention of realizing a gain. This point regularly trips up would-be developers and those who buy properties with the intention of building in the garden. We are happy to discuss the pros and cons of main residence elections and finer details of the reliefs available.

Tax allowances for landlords

HMRC's rules dictate that residential property landlords are unable to claim capital allowances on any expenditure on assets such as furniture and equipment supplied under the term of the letting agreement for use by their tenants. All is not lost, however, as these landlords are subject to a special set of tax rules that have undergone several changes over the last two years. Although the rules are far from straightforward, they may allow tax relief when it is not expected.

- The costs of repairs to the property and any furniture or equipment provided under the letting agreement is tax deductible for the landlord, although many rental agreements may pass some of this cost back to the tenant.
- Expenditure on costs in connection with the provision of furniture and replacement of tools and other articles employed in the trade are also allowable costs.
- A repair to furnishings or other articles includes a replacement of the asset, when, on a like-for-like basis; this applies whether the property is partly or fully furnished. However there is a complication. If the property is let fully furnished a landlord may choose to claim a 10% wear-and-tear allowance instead. As this choice is not available to those who supply unfurnished or partly furnished properties, landlords will need to consider what reliefs they are entitled to.
- Refurbishment costs on a newly acquired property are generally capital by nature and so not allowable as a deduction for income tax.

We are happy to discuss your queries and look at the different options with you.

If you have any queries in relation to any of the topics covered in this newsletter then please do not hesitate to contact us.

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