HOLLIS AND CO

C H A R T E R E D

A C C O U N T A N T S

Issue 1, 2016

JANUARY NEWSLETTER

Capital allowances: changes to AIA rules

The Annual Investment Allowance (AIA) is a capital allowance that provides you with 100% tax relief on the purchase price of any capital equipment for use in a business or employment. In the past, the AIA was available for expenditure of up to £500,000 per year, however from 1 January 2016 the allowance has dropped to £200,000.

The AIA is generally available on any plant and machinery including:

- Fixtures and integral features
- The alteration of land for the purpose only of installing plant or machinery
- Vans, lorries and motorcycles

This valuable allowance is available for most types of business with the exception of residential property letting. There are also restrictions to consider for leasing businesses where the owner does not work full time in the business, such as for example, a seasonal boat hire business. With the end of the financial year fast approaching, for many businesses it is sensible to plan the timing of expenditure in the next couple of months to ensure that you receive tax relief in the right tax year. If you have any queries on capital allowances please contact us.

Quarterly reporting for the self employed

As part of the government's policy "Digital by default", HM Revenue & Customs (HMRC) have announced that the self employed will be obliged to file a quarterly accounting statement digitally from 2018. These quarterly updates will not be a full tax return as the data will be generated from existing digital business records.

Reading between the lines, HMRC are assuming that most business transactions in the future will be cashless and that most businesses will soon be accounting via their smart phones and tablets with automated bank feeds. They say that alternatives will be provided for those who genuinely cannot use "digital tools", such as telephone filing. The idea is proving to be extremely unpopular; in a matter of weeks some 106,000 people have signed a petition opposing it. This level of opposition ensures that the proposals will be debated by parliament. HMRC's response so far has only been to clarify the position and confirm that they will open a consultation on the measure in the near future.

There are reservations about this policy as it is not without significant cost implications for many businesses. We can nevertheless offer assistance in automating bookkeeping using the latest technology or if you wish to "do it yourself" we can offer advice on the suitability of the different types of software available for your business record keeping.

Tax Calendar

January 2016

19/22	Third quarter PAYE and Class 1 NICs payment deadline.
	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 2015.
	Deadline for paying 2014/15 Self Assessment 'balancing payments'.
	Deadline for first Self Assessment payment on account for 2015/16.
	Deadline for amending 2013/14 tax return.

February 2016

2	Quarterly submission of P46 (car) (for employees whose car and/or fuel benefit has changed in the quarter to 5 January.
19/22	Monthly PAYE/Class 1 NICs/student loan and CIS payments due.
28	Pay any 2014/15 tax due to avoid a late payment penalty.

March 2016

3	First 5% penalty surcharge on any 2013/14 tax due on 31st January 2016 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 2016

5	End of 2015/16 tax year.
	Last day to use up your annual exemptions for capital gains tax, inheritance tax and ISA's.
6	Start of 2016/17 tax year.
19/22	Monthly PAYE/Class 1 NICs/student loan and CIS payments due.
	19th for non-electronic payments, 22nd for online payments

May 2016

1	Additional daily payments of £10/day up to a maximum of £900 for failing to file self-assessment tax return due on 31 January 2016.

Director’s loan accounts: “bed and breakfast” rules

As the end of the financial year approaches for many companies, don’t overlook on the rules that are designed to prevent the “bed and breakfasting” of outstanding loan accounts. Bed and breakfasting is repaying a loan on a certain date in order to avoid a tax charge and then immediately drawing it down again after. To recap:

The 30 day rule: for loan balances of £5,000 or more: if a repayment of £5,000 is made and then the same amount is re-withdrawn within a 30 day period, the repayment is matched with the later withdrawal First in First Out (FIFO). The effect is that the original loan is not treated as being repaid.

Replacement rule for loans exceeding £15,000: if a repayment of at least £5,000 is made against an outstanding loan of £15,000 or more, but there is an intention to withdraw at least the sum repaid again later it is not treated as a repayment but is instead matched against the subsequent drawing.

These two measures can easily catch you out. If you think you have any potential problems in this area please contact us now.

Buy-to-let update

Many buy-to–let investors and residential property businesses will be affected by a wide range of new tax measures that are being introduced from 6 April 2016 and the following year.

From April 2016:

The 10% wear-and-tear allowance is being abolished: it is replaced by Replacement Furniture relief. If you are considering replacing any furniture or equipment in a let property then you may be advised to hang on, if you can, until 6 April 2016 as you will receive 100% tax relief on that cost. However, if you make the replacement by 5 April 2016, you will not receive any tax relief on the cost.

Property prices will go up for many prospective purchasers on 1 April 2016. Stamp Duty Land Tax (SDLT) will be charged at an additional 3% above current rates on purchases of additional residential properties including buy-to-let properties and second homes. This will apply to properties costing £40,000 or more. There is also to be a change to SDLT filing and payment including a possible reduction in the filing and payment window from 30 days to 14 days.

A major change that affects higher rate tax payers is that from 6 April 2017 buy-to-let landlords will no longer be able to receive higher rate relief on mortgage interest or finance costs. It will make commercial sense for some landlords to incorporate their property rental businesses as the company tax rate is falling to just 18% in 2020. This combined with new rules for dividends may create some interesting planning opportunities in creating family companies. If this is something that interests you we are happy to discuss these with you and determine what affect the changes will have on your business.

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

HOLLIS AND CO

35 Wilkinson Street
Sheffield
S10 2GB
0114 2816166
enquiries@hollisco.co.uk