

## JULY NEWSLETTER

### Incorporating a rental business: pluses and minuses



If you are renting out land and property as an individual or in joint names, you may want to consider incorporating your property business so that it is run through a company. This has the benefit of sheltering rental income from higher rates of income tax or from gains on disposal from capital gains tax (CGT). Small companies only pay tax at 20%, whereas for an individual income tax is at 20%/40%/45% and CGT is at 18%/28% (the lower figures only apply to basic rate taxpayers).

Capital gains tax roll-over relief is given when incorporating a business provided that the consideration given by the company to you is shares and not cash. Stamp duty may be due on the transfer, however once the property is held by the company future gains on the property roll up within the company. If it later disposes of the property it may pay a lower rate of tax than you if you continued holding the property. You may then begin to gift tranches of shares (up to your annual CGT exempt amount) to your family over a number of years and as a result may avoid some or all of the CGT on the original property gain. A minus is that your company shares will not qualify for IHT relief; however if you have successfully gifted the shares you may escape IHT too. This planning may not be suitable for all taxpayers, and does not work for high value properties; it depends on age and circumstances, so please contact us if you would like further details.

### Capital Gains Tax (CGT) private residence relief – all change

From 6 April, 2014, the period in which a home-owner can be absent from their home but deemed to have lived there for the purposes of CGT private residence relief (PRR) is to be reduced from the last 36 months of ownership to just 18 months. As owners have two years following the purchase of any new property in which to make an election to treat it as a private residence, the change means that multiple property owners should be reviewing their elections annually.

The government is currently consulting on removing the ability for taxpayers to make PRR elections in order to clamp down on the practice of 'house flipping' for CGT. This is part of wider measures that look to remove PRR relief for non-UK-residents from 6 April, 2015.

If you are likely to be affected by any of these measures please contact us in order to review your situation and make plans ahead of any changes.

### Tax Calendar

#### July 2014

- 5 End of tax quarter and last date for agreeing PAYE Settlement Agreement (if any) for tax year ended 5 April 2014.
- 6 Deadline for expenses and benefits annual return forms P9D, P11D and P11D(b) to reach HMRC.
- Deadline for employers to give copies of forms P9D and P11D to employees.
- Deadline for submission of Form 42 (transactions in shares and securities).
- Deadline for submission of EMI40 (EMI Annual Return).
- Deadline for entering into a PAYE Settlement Agreement for 2013/14.
- 19/22 Monthly PAYE/Class 1 NICs/student loan and CIS payments due.
- 19th for non-electronic payments, 22nd for online payments*
- 31 Final day for second Self Assessment payment on account for tax year ending 5 April 2014.
- 31 Second payment due date for 2013/14 Class 2 NICs.

#### August 2014

- 1 Surcharge of 5% due on unpaid income tax for year end 5 April, 2013.
- 2 Submission date of P46 (Car) for quarter to 5 July.
- 19/22 Monthly PAYE/Class 1 NICs/student loan and CIS payments due.
- 19th for non-electronic payments, 22nd for online payments*
- 31 Annual adjustment for VAT partial exemption calculations (May VAT year end).

#### September 2014

- 19/22 Monthly PAYE/Class 1 NICs/student loan and CIS payments due.
- 19th for non-electronic payments, 22nd for online payments*

#### October 2014

- 1 Annual increase in national minimum wage.
- 19/22 Monthly PAYE/Class 1 NICs/student loan and CIS payments due.
- 19th for non-electronic payments, 22nd for online payments*

## Self-employed: board and lodgings adjustments update

HM Revenue & Customs (HMRC) changed its policy on private use board and lodging adjustments from 6 April 2013. A board and lodging adjustment is an adjustment for private use which is made for tax when a business owner lives and works in a trade premises such as hotel, guest house or public house. Many or all costs, from food to services, such as light and heat are often paid for the business as a whole. As such it is not possible to itemise on an item-by-item basis any goods or services consumed or used by the business owner.

Traditionally HMRC offices entered into agreements with taxpayers locally, with the result that different rates of adjustment were used in different parts of the country. HMRC has withdrawn these agreements and now allows taxpayers to make either a flat rate adjustment or an adjustment based on a proportion of actual costs incurred.

The flat rate amount is determined by the number of people (including children) that use the business premises each month or part of a month as a private home. It covers all household goods and services, food and non-

alcoholic drinks and utilities. It does not include mortgage interest, rent of the premises, council tax or rates. A reasonable apportionment of these expenses should additionally be made based on the extent of the private occupation of the premises.

The flat rates are as follows:

Number of people	Flat rate per month
1	£350
2	£500
3 or more	£650

If a flat rate is not used, the private use adjustment should be made taking into account actual expenditure.

## Auto-enrolment and workplace pensions



Over the next four years all UK employers will have to automatically enroll their qualifying UK employees into a workplace pension scheme. Employees qualify for auto-enrolment if they are aged between 22 and state pension age, earn more than the minimum earnings threshold (approximately £192 per week), and are not currently in a qualifying pension scheme.

All employers with at least 'one worker', regardless of their age and earnings, must register online with The Pensions Regulator, who may impose a combination of fixed fines, daily fines and inducement fines for non-compliant employers.

Under the workplace pension provisions both employer and employee contribute to the employee's pension via the employer's scheme. The precise contribution level depends on the date on which the employer is required to commence the scheme.

Employers must set up their own company pension scheme or use the National Employment Savings Trust (NEST), a low-cost, government-backed scheme designed specifically for automatic enrolment.

The starting date for auto-enrolment is set according to when the business commenced and the number of employees. It's important to act now.

Please contact us in order to discuss these new measures. We can review your workforce to see who will need to be auto-enrolled and confirm your commencement date.

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