Newsletter

July 2016

THE RIGHT ADVICE FOR YOUR BUSINESS

IN THIS ISSUE

Don't let your Directors Loan stay overdrawn

Directors often borrow from their companies and this incurs a temporary tax charge.

The rate of tax charged on loans to participators and other arrangements has been specifically linked to the dividend upper rate, which increased to 32.5% from 6 April 2016.

Section 455 CTA 2010 liabilities must be included in a company's CT600 tax return. The S455 tax forms part of the calculation of tax payable by the company under Paragraph 8 Schedule 18 FA 1998.

The good news is that it's a temporary tax charge and when the loan is repaid you can claim relief.

A claim to relief under Section 458 is a claim for relief against the original tax charge for the AP in which the loan was made. The time limit for the claim is four years from the end of the financial year in which the loan is repaid, released or written off. COM53120

The most common ways to clear directors loan are:

Dividends

Provided the company has distributable reserves – in other words the company has made a profit then you can declare dividends but watch out for dividend tax.

Repay the Debt

It may be worth borrowing money from an external source to repay the Directors Loan, the Bed & Breakfast rules say that the loan must be repaid for more than 30 days. But interest will be less than the 32.5% temporary tax.

Bonus

You could clear the loan by paying a bonus, this isn't reliant on the company having distributable profit reserves.

Key Points

- Directors loans must be repaid with 9 months to avoid a 32.5% tax charge
- Loans over £10k are a benefit in kind

Time to renew your Tax Credits

If you're claiming tax credits, you'll be sent a renewal pack. It will tell you how to renew your tax credits.

You must renew your tax credits by 31 July 2016 if your renewal pack has a red line across the first page and it says 'reply now'.

If you miss the deadline your tax credits payments will stop. You'll be sent a statement and will have to pay back the tax credits you've been given since 6 April 2016.

NOT SURE WHAT TO DO

Contact us – Tina.jenkins@advaccountancy.co.uk

Is it time to go green?

But both you and your company could be better off with a Low Emission or Electric Car.

Capital allowances

If you buy a new car for your business that has CO_2 emissions of 75 grams or less per kilometre (g/km) driven, or is electric, you can qualify for a 100 per cent first-year capital allowance. This allows you to offset the whole cost of the investment against taxable profits in the year.

Benefit in Kind

A car such as the Toyota Yaris Hybrid with emissions below 75 CO_2 g/km only has 11% Benefit in Kind

7 things to check if you get a P800 Tax Calculation Letter

HM Revenue & Customs (HMRC) will be now be working on the annual automated End of Year Reconciliation process to check whether tax payers in PAYE (Pay As You Earn) have paid the right amount of tax in 2015-16.

Most people – around 85 per cent of those in PAYE – will have paid the right amount of tax for the year so won't receive any contact from HMRC. If you have paid too little or too much tax under PAYE for 2015-16, HMRC will automatically send a tax calculation (on form P800) to you showing the details along with notes explaining what it means. It's expected that this automated process will be completed by October 2016, and there is no need to contact HMRC.

If you have:

- Paid too much tax, you will be sent a cheque, in most cases, within 14 working days from the receipt of a P800 Tax Calculation.
- Paid too little tax, the underpayment will in most cases be automatically collected through your annual tax code. Where this is not possible, HMRC will write to you and let you know what options are available to pay the tax outstanding.

The P800's are likely to contain errors because:

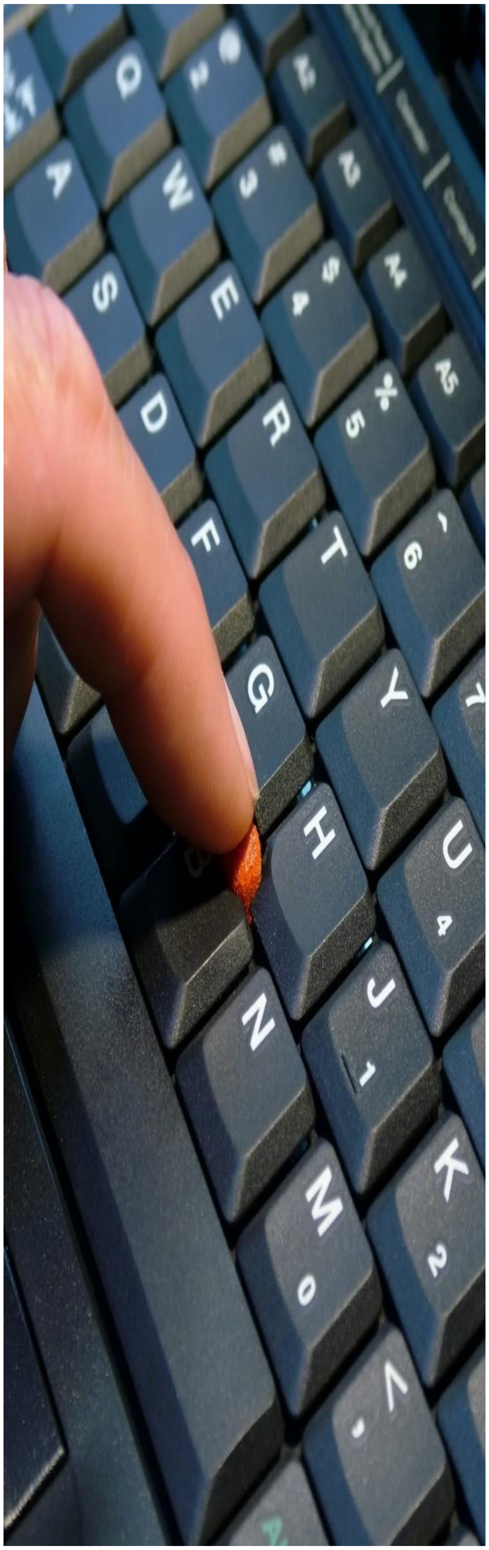
1. Large amounts of data are manually input
2. Estimates especially for Bank Interest and Investment Income

So check the following carefully:

1. P60 – you get this at the end of each tax year
2. P45 – you get this when you leave a job
3. PAYE Coding Notice
4. P11D Expenses and benefits
5. P9D Expenses payments and income from which tax cannot be deducted
6. Bank and Building society statements
7. Pension Tax Deductions

It's expected that around 3 million people will be asked to pay more tax and around 2 million people will have overpaid.

PSC Register



The latest measure of the Small Business Enterprise and Employment Act came into force on 6 April 2016.

You now need to start keeping a register of your people with significant control (PSC).

A PSC is someone in your company who:

- owns more than 25% of the company's shares
- holds more than 25% of the company's voting rights
- holds the right to appoint or remove the majority of directors
- has the right to, or actually exercises significant influence or control
- holds the right to exercise or actually exercises significant control over a trust or company that meets any of the other 4 conditions.

You'll need to keep your PSC as part of your company register, as these need to be available for inspection.

From 30 June, you'll start submitting this information when you file your confirmation statements, or when companies, LLPs and SEs are incorporated.

What information needs to be recorded on the register?

For an individual:
•Name
•Service address
•Usual country/state of residence
•Nationality
•Date of birth
•Usual residential address (this will not appear on the public record)
•Date on which the individual became registrable
•Nature of control

For a relevant legal entity:
•Corporate/firm name
•Registered/principal office
•Legal form and governing law
•Applicable company register and number
•Date on which the legal entity became registrable
•Nature of control

What are the tax issues related to a home office?

Working from home is a popular option for business owners and employees. Assuming you need to create office space you could either convert an existing room, loft, or garage or build a new structure in the garden.

VAT

1. Estimate the amount of Business & Personal Use – you can only reclaim VAT on the Business Use proportion – you might have 100% business use if you were building an office in the garden. HMRC's published and internal guidance states, "Where a domestic room or rooms is put to business use, you may agree to an apportionment using an objective test to the extent to which the room is put to business use" (HMRC Manual V1-13, Section 14, para 14.7, and VAT Notice 700, Section 33,)
2. The invoice should be in Business Name
3. You can reclaim 100% VAT on Office Equipment used entirely for business purposes (if you reclaim VAT you need to charge VAT if you sell the equipment)
4. If you then sell your home to a buyer who wants to use the premises as part of their dwelling you don't charge any VAT as it will be exempt

Benefit In Kind

Directors and Employees who have personal use of the assets will incur tax as it will be a benefit in kind. So it might be better to keep business assets for business use only to avoid this tax.

Expenses

You can claim a proportion (based on the number of rooms and hours of business use) of your household expenses

- Mortgage interest or rent
- Council tax
- Water rates
- Repairs and maintenance
- Building and contents insurance
- Electricity
- Gas, oil or other heating costs
- Cleaning
- Telephone (based on usage)
- Broadband

You can draw up a home rental agreement to reclaim these costs, or claim expenses, or if the use is minimal you might find it easier to claim £4 per week as suggested by HMRC.

Capital Gains Tax

Your principle private residence is exempt from capital gains but your home office won't be if its exclusively used for business, but it will only be a small proportion of the property value and as such any gain will probably be covered by your annual allowance £11,000 (2016/17) if you are a sole trader or partner, if not your company could have a small amount of capital gains tax to pay if a gain is made.

If you are a sole trader or partner and there is a private use element to your home office then the office will be exempt.

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