TAX NEWS

Monthly Update October 2014

Dear Client,

Welcome to our monthly tax newsletter designed to keep you informed of the latest tax issues.

We hope you enjoy reading the newsletter; remember, we are here to help you so please contact us if you need further information on any of the topics covered.

Best wishes

Tyrrell & Company

RTI PENALTIES DELAYED AGAIN

As advised in earlier newsletters, automatic in-year RTI late filing penalties start on 6 October 2014. However, HM Revenue and Customs have recently announced that the start date for penalties on PAYE schemes that have fewer than 50 employees will now be delayed until 6 March 2015.

HMRC have said that the extra time will give smaller employers, who appear to be experiencing the greatest difficulties with RTI, more time to adjust their processes to comply with RTI requirements. It will also allow HMRC more time to update its systems and enhance its guidance and customer support. To qualify for the 5 month deferral, the employer must have fewer than 50 employees on the payroll at 6 October 2014.

FLEXIBLE PENSIONS TO GO AHEAD IN 2015

In his March 2014 Budget, the Chancellor announced that there would be significant changes to allow individuals to have greater access to their pension funds from 2015.

The proposed changes have been consulted on during the summer and the Treasury have now published the outcome, together with draft pensions legislation, enabling the new flexible regime to commence on 6 April 2015.

The flexibility will apply to Defined Contribution (DC) Schemes such as Self Invested Personal Pensions. However, it will continue to be possible to transfer funds from certain Defined Benefit (Final Salary) schemes into DC Schemes to allow access to the new flexible rules. An Independent Financial Adviser should be consulted to consider the full implications of this course of action.

From 6 April 2015 it will be possible to withdraw 25% of the pension fund tax free at age 55, but any additional amounts will be taxed at the marginal tax rates of 20%, 40% and 45% (depending on level of income). This means that you will need to work closely with us and your pensions adviser so that we can estimate the taxation implications of the amount that you are planning to withdraw. As announced in the Budget, from April 2015 it will be possible to withdraw the whole of your pension fund if you wish. You may recall the Press suggesting that some individuals may decide to spend their pension pot on a Lamborgini!

The new pensions legislation will permit more innovative pension products, including the ability to draw lump sums from annuities and flexible annuities as well as flexible drawdown products.

Under the current rules, annuities lapse upon the death of the pensioner with no value passing to the children, whereas drawdown pensions can pass to the next generation upon death (subject to a 55% charge on the fund). The Government acknowledge that this 55% charge is too high and will announce the new lower rate in the Autumn Statement on 3 December.

Note that the new pensions legislation includes anti-avoidance rules to limit “recycling”. In other words, someone over 55 might make contributions into their fund to obtain tax relief and then immediately withdraw 25% of the fund tax free. From 6 April 2015, where an individual’s fund is in drawdown, a maximum of £10,000 may be paid in each year for the purpose of obtaining tax relief.

TAX NEWS

Monthly Update October 2014

TYRRELL&COMPANY
THE UNDERSTANDING ACCOUNTANTS

NO TAX DEDUCTION FOR SPONSORSHIP

A recent case before the Court of Appeal has determined that a particular company was not allowed tax relief on their sponsorship of a rugby club, as there was "duality of purpose". The payments in question were posted to "marketing and advertising" in the company's accounts. In order to secure tax relief against trading profits, the expense must be incurred "wholly and exclusively" for the purpose of the trade. In this case, the problem was that the rugby club was in financial difficulty and the judges held that the payments by the company Interfish Ltd were intended to provide financial support as well as advertising. This decision does not mean that all sponsorship payments will be disallowed - just those made under similar circumstances.

Note that where the club in question is established as a Community Amateur Sports Club (CASC) to benefit the local community, the latest Finance Act now specifically allows a deduction against company profits for donations from 1 April 2014 onwards. This tax relief is in line with the relief for corporate donations to charities.

HIGH INCOME CHILD BENEFIT CHARGE

Child benefit started to be taxed from 9 January 2013, but only in cases where the claimant or their partner received income of over £50,000 a year. HMRC have been writing to those individuals who said they had received child benefit and earned over £50,000 in 2012/13, but who did not themselves actually pay the high income child benefit charge (HICBC). This is likely to be because the individual's spouse or partner received higher income and had actually paid the HICBC which HMRC seem to be chasing.

The letters are written to attract attention, with the words "You need to act now!" stamped in red across the front, but they have not been copied to us as your agents. Please contact us if you receive such a letter, as we will get in touch with HMRC on your behalf. If HMRC had cross-checked with the partner's tax return, these letters would have been unnecessary.

COMPANY CAR ADVISORY FUEL RATES

The suggested reimbursement rates for employees' private mileage in their company cars are reviewed each quarter on 1 March, 1 June, 1 September and 1 December. The following rates apply from 1 September 2014, with the previous quarter's rates shown in brackets:

engine size	petrol	diesel	LPG
1,400 cc or less	14p		9p
1,600 cc or less		11p (12p)	
1,401cc to 2,000cc	16p		11p
1,601cc to 2,000cc		13p (14p)	
over 2,000cc	24p	17p	16p

If you reimburse your employees the tax free amount of 45p a mile (25p after 10,000 miles) for using their own car for business purposes, 20/120ths of the above amounts can be reclaimed as input VAT by your business e.g. a petrol engine car over 2,000 cc = 24p x 1/6 = 4p VAT a mile.

TAX DIARY FOR OCTOBER/NOVEMBER 2014

Date	What's Due
1 Oct	Corporation tax for year to 31/12/13
19 Oct	PAYE & NIC deductions, and CIS return and tax, for month to 5/10/14 (due 22 October if you pay electronically)
1 Nov	Corporation tax for year to 31/01/14
19 Nov	PAYE & NIC deductions, and CIS return and tax, for month to 5/11/14 (due 22 November if you pay electronically)

Please contact a member of our team if you would like to discuss any of the issues raised.