



Chartered  
Management  
Accountants

## THE BCS PARTNERSHIP LTD

### NEWSLETTER OCTOBER 2013



#### ~ NEW RULES ON COMPANY LOANS TO DIRECTORS ~

**Good News** - The Chancellor announced this Spring that the tax-free loan limit will be increased from £5,000 to £10,000 from April 2014.

S.455 of the Corporation Tax Act 2010 set out the long-standing provision that loans to company directors exceeding £5,000 are subject to a 25% Corporation Tax charge if not repaid within 9 months of the Company's year-end.

New rules apply to most directors who borrow money from their company. Until now, if they repaid this within nine months of the end of its accounting period, no tax charge would arise.

In this year's Budget new rules were announced to penalise those who, in HMRC's view, abuse the rules on company loans. This is directors who borrow money from their company, repay it to avoid the corresponding tax charge and then re-borrow the money a short time later. HMRC calls this "bed and breakfasting" and new rules aim to penalise this.

**30-day rule.** Where a director repays more than £5,000 of the money they have borrowed from the company and within 30 days of this re-borrows more than £5,000, the reduction was previously allowed in the 25% tax charge will be restricted by the lesser of the amount repaid and the amount re-borrowed.

**Intentions and arrangements rule.** Where the amount owed by a director is £15,000 or more and a full or part repayment of this is made; where at that time the director had arranged to re-borrow the money from the company or had the intention to do so, the reduction in the 25% tax charge is restricted in a similar way as it is for the 30-day rule.

#### How To Avoid the Traps

Reduce what you owe your company to £5,000 or less no later than nine months after the end of the accounting period. Do this by taking extra salary, a bonus, etc. or dividend which is credited against the debt rather than being paid out to you. In these circumstances, if you re-borrow the money, HMRC accepts that this will not trigger the new anti-avoidance rules.

If the amount you owe your company at the end of an accounting period is greater than £5,000, repay this within nine months to reduce the 25% tax charge, but leave it more than 30 days before borrowing more from the company.

## ~ EMPLOYEE SHAREHOLDER SCHEME~

The employee shareholder scheme, part of this year's **Growth and Infrastructure Act**, has, after some last minute changes from the Government, now been approved.

The changes made to get it through the Lords affected the employment law aspects of the Act. The scheme may be used by companies that offer free shares to employees worth between £2,000 and £50,000 and is expected to be introduced on 1st September 2013. The following tax breaks will be included :-

- ~ the first £2,000 worth of shares given to each employee will not count as employment income and so neither Tax nor NI will be payable on this;
- ~ gains made from selling the shares will be tax-exempt.

Shares that exceed £2,000 in value will be subject to both Tax and NI.

## ~ NEW RESIDENCY RULES ~

The long awaited and much talked about new rules for deciding when someone is resident for UK tax purposes took effect from 6th April. It is still not clear cut in every case and so HMRC has recently published a guide to how the new rules work.

The 100-page publication is comprehensive and while it is no substitute for professional tax advice, it is a good starting point if you need information about your UK tax status.

## ~ PERSONAL SELF ASSESSMENT TAX RETURNS ~

Completing and filing your Tax Return early :-

1. Does NOT mean you pay any tax early.
2. Allows you and us to consider your tax position in due time and take advantage of any tax reliefs that may be available.
3. Avoids any Late Filing penalties.

Personal Tax Returns are not due to be submitted to HMRC until 31st January 2014. However, we would always recommend completing the Return as soon as possible after the end of May, whilst events are still fairly fresh in your mind and you are able to plan for any payment due to HMRC.

Here are a few simple tips to keep your business and personal records in order :-

- ~ Sort receipts into date order;
- ~ Collate and hole punch with treasury tags or, alternatively, file the receipts in envelopes by month;
- ~ If you are unsure whether to claim as a business expense, keep the receipts to one side to check;
- ~ Separate out invoices for capital purchases.

## ~ COMPANY CARS - THE ALTERNATIVES ~

BCS are continuing to run seminars on "Company Cars - The Alternatives".

1/2 Day - £149 for (2) Delegates. Full notes and opportunity to meet two of the UK's leading experts on Company Cars.

Holiday Inn, Chapel Lane, Great Barr, Birmingham - **Thursday 7 November** - 9.30 am - 12.30 pm

Holiday Inn Milton Keynes East, M1 Junction 14, London Road, Newport Pagnell - **Thursday 14 November** - 9.30 am - 12.30 pm

Details and booking on-line can be found at :- <http://www.bcspart.co.uk/> or telephone 01706 646664.

### ~ COMPANY CARS ~ - HMRC Advisory Fuel Rates

To be used for fuel payments and reclaiming AMR's VAT.  
With effect from 1st September 2013 these are now:-

UP TO	PETROL	DIESEL	UP TO
1400 cc	15p	12p	1600 cc
2000 cc	18p	15p	2000 cc
2000 + cc	26p	18p	2000 + cc
FUEL ppl	137.0	141.7	

### ~ HMRC TO DELAY RTI PENALTIES ~

Employers will not be charged penalties for late or inaccurate submissions during the first 12 months of new real-time information (RTI) reporting rules.

From April 2013, employers must make an RTI submission to HM Revenue and Customs (HMRC) every time they pay someone (known as 'in-year' submissions).

But HMRC has announced that it will not charge employers a penalty before April 2014 for late or inaccurate in-year full payment submissions (FPSs).

The current penalty policy will continue to apply at the tax year's end, with a penalty being charged if the relevant information is not up to date by 19th May 2014.

After 2013-14, penalties may be charged on inaccuracies identified in in-year FPSs.

### ~ PROPERTY LETS ~

Landlords/investors should be aware :-

1. A favourable Tribunal finding in Elizabeth M Romsey v HMRC UT 266 has held that Letting is a business in respect of CGT roll-over relief. I.e. there is no CGT payable if incorporating a property letting.

2. HMRC have issued fairly lax definitions of "furnished" lettings now that the 10% rentals 'replacement' basis of allowances was removed from 6th April 2013.

## ~ HMRC STARTS TAX CALCULATIONS PROCESS ~

Around 5.5 million people will receive P800 tax calculations between now and October. Are you on the Taxman's P800 list?

Where your P800 shows non-PAYE income, for example, bank interest or other investment income, the figures will definitely be estimated as HMRC does not have direct access to these details and relies on you to provide them. Compare these figures to your own records and notify HMRC of any errors.

HMRC reckons that of the 5.5 million P800's that will be issued, around 3 million will show more tax due, while the remainder will show refunds. If the P800 shows you owe tax of £3,000 or less and you have continuing PAYE income, HMRC will aim to collect it by adjusting your code for 2014/15 so you will pay the extra tax through your earnings for that year. In other circumstances, you will be sent a bill later this year. Where the P800 shows you have overpaid tax, you will receive a cheque, usually within 14 days.

## ~ 2013/14 TAX PLANNING ~

The most tax-efficient mix for 2013/14 is :

- ~ An annual salary of £7,896, plus
- ~ Dividends of £30,199.

Total Income £38,095. Tax Due £NIL.

**For further advice and guidance on any of the above topics, please contact BCS on 01706 646664.**

The BCS Partnership Ltd., Merlin House, 4 Beaumonts Way, Rochdale, OL11 5NL  
Tel: 01706 646664 Fax: 01706 345367 Email: [enquiries@bcspart.co.uk](mailto:enquiries@bcspart.co.uk) Web: <http://www.bcspart.co.uk/>  
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