MNA News Wire

MARSLAND NASH ASSOCIATES

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CONTENTS

ARE YOU READY FOR MAKING TAX DIGITAL (MTD)?

In just over twelve months most VAT registered businesses will need to comply with new legislation requiring them to submit their VAT returns electronically using an Application Programme interface (API) between their accounting and HMRC software.

Keeping financial records will become **digital** and most businesses will need to use software or apps to keep their records - the days of manual record keeping are over!

There are exemptions, but for most businesses with turnover above the VAT threshold of £85,000 you will need to start planning for Digital Tax now.

So, what's the good news?

We've teamed up with a major Cloud software company to provide our clients with the best possible fully compliant accounts package, and there are significant benefits to your business if you use our recommended package:

- It's on the cloud so you can get a clear view of your finances any time any place;
- You will never need to do back-ups of your accounting software ever again;
- Run your business from work, home or on your mobile;
- It automatically grabs bank receipts and payments in real time;
- Use your mobile to photograph purchase invoices and expenses and upload these to the software; and
- Automatically generate and submit VAT returns and other reports with one click!

Just imagine you could see your results, who owes you money, who you owe and your business bank balance 24/7 from your smart phone!

Over the next few months we will be contacting all our clients to discuss the new HMRC rules and to demo how easy the new system is. In the meantime, if you are "Good to go", call us and we will be delighted to help you comply with Digital tax legislation and take your business to a whole new level!

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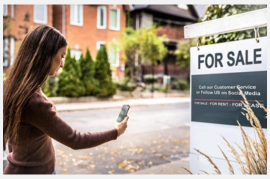
NO INDEXATION OF COMPANY GAINS AFTER DECEMBER 2017

Indexation allowance was introduced in the 1970s to provide relief from paying tax on inflationary gains based on increases in RPI. The relief was abolished in 1998 for individuals and trusts, and replaced with taper relief. However, it was retained for companies. The Autumn Budget announced that indexation for corporation tax would cease for disposals from January 2018 onwards, although indexation up to December 2017 would be retained.

Although the change will apply to all chargeable assets owned by companies, it will have a significant impact on property investment companies where indexation allowance acted as a shelter from inflationary gains.

RELIEF FROM ADDITIONAL 3% SDLT CHARGE



Much of the focus in the Autumn Budget on Stamp Duty Land Tax (SDLT) concerned the abolition of the duty for first time buyers of property up to £300,000. There was also welcome news for those involved in other property transfers where the 3% supplementary SDLT charge potentially applies when an interest in a second property is acquired.

The 3% supplementary charge will not now apply where a court order issued on a divorce or dissolution of a civil partnership prevents someone from disposing of their interest in a main residence or a spouse buys property from their spouse. There are a couple of other situations where the 3% supplement does not apply. This is something to check with your solicitor.

EXCEEDING THE ANNUAL PENSION ALLOWANCE

If your pension savings exceed the annual pension input limit (generally £40,000) then there is an annual allowance charge. The effect of the annual allowance charge is to reduce tax relief on any pension saving over the annual allowance.

The annual allowance charge is not at a fixed rate but will depend on how much taxable income an individual has and the amount of their pension saving in excess of the annual allowance. Hence for a higher rate taxpayer the charge would be 40% on the excess over the annual pension allowance. Note that annual pension input includes any contributions made by the employer and it may be those contributions that trigger the charge.

You can ask your pension provider to pay HMRC out of your pension pot if you've gone over your annual allowance and the tax is more than £2,000. You must tell your pension provider **before 31 July** if you want them to pay the tax charge for the previous tax year.

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PENSION FUNDS CAN BE VERY EFFECTIVE IN ESTATE PLANNING

We have featured the tax efficiency of pension fund investment in a number of recent newsletters.

As well as the increased flexibility in terms of drawdown arrangements that were introduced in April 2015 there were some important changes to what happens to the undrawn funds on death. These changes mean that your pension fund can be passed to survivors tax efficiently.

Where the pension scheme member dies under age 75 certain lump sum death benefits are now tax-free. In particular a drawdown or flexi-drawdown pension fund lump sum death benefit or an uncrystallised funds lump sum death benefit.

Where the member at the time of their death was age 75 or older the special lump sum death benefit charge on the fund will be 45%. However, if a nominated beneficiary wants to draw down income each year rather than take the lump sum the amounts drawn would be taxed at their marginal income tax rate. It has recently been reported that there are currently £2 billion of pension assets in drawdown where the beneficiary is aged under 55 suggesting that a significant number of individuals have taken advantage of the new rules.

Note that cash and quoted shares, including those held within an ISA, are subject to inheritance tax on death whereas pension fund assets are generally free from inheritance tax.

It may therefore be more tax efficient to spend or give away cash and shares rather than draw on the pension fund.

Please **contact us** if you would like to discuss estate and inheritance tax planning in more detail.

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WHAT IS A FURNISHED HOLIDAY LETTING (FHL) BUSINESS?

There are strict rules for a property rental business to qualify as furnished holiday lettings. The most important conditions are:

⇒ Property must be situated in the UK or European Economic Area (EEA)

⇒ Furnished and let on a commercial basis

⇒ Available for letting for 210 days a year

⇒ Actually let for 105 days a year

⇒ Not normally let for more than 31 consecutive days to the same person (i.e. short lets)

⇒ In other words lettings in excess of 31 days are excluded from the 105 day test as are periods let to family and friends on a non-commercial basis

Averaging Election

For individual landlords the 210 day and 105 day tests apply to the tax year or the first 12 months on commencement of the rental business.

If the 105 day test is not met it is possible to make a "pooling" or averaging election where several FHL properties are rented out in the tax year. You can elect to apply the letting condition to the average rate of occupancy for all the properties you let as FHLs. There are separate elections or pools of UK and EEA properties.

ADVANTAGES OF FURNISHED HOLIDAY LETTINGS

Many of the recent changes in the taxation of buy to let rental businesses do not apply to property businesses that qualify as furnished holiday lettings (FHL).

In particular the restriction on deductibility of finance costs that started to apply from 2016/17 does not apply to furnished holiday lettings. It may be worth considering investing in such properties to take advantage of a number of other generous tax breaks.

Tax reliefs that apply to furnished holiday letting businesses

Furnished holiday letting businesses are treated like a trading business for many, but not all tax purposes.

⇒ Capital allowances are available on furniture and equipment such as cookers, washing machines, beds.

⇒ Profits count as earned income for pension purposes

⇒ CGT entrepreneurs' relief applies on disposal of the holiday rental business

⇒ Capital gains may be rolled over into FHL property

⇒ CGT gift holdover relief available on the gift of the rental business.

Note that inheritance tax business property relief does not generally apply on the transfer of FHL property businesses.

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TAX RELIEF FOR ENERGY SAVING TECHNOLOGY

For a number of years there has been a generous 100% tax break for businesses that install energy saving technology in their premises. This is in addition to the £200,000 annual investment allowance for plant and machinery.

The technology that qualifies for this 100% tax break includes energy efficient boilers and energy saving lighting systems. This is set out in the government's energy-saving technology list. The list is updated each year. It was announced in the Autumn Budget that new technologies were being added but also certain items such as Biomass fired warm air heaters would no longer qualify from 1 April 2018.

Note also that where the expenditure has the effect of creating or increasing a loss for corporation tax purposes, the company can obtain a repayable first year tax credit. This credit, based on the amount of the loss attributable to the energy-saving technology spend, reduces to 2/3 of the corporation tax rate from 1 April 2018. Thus the relief reduces from 19% to just 12.67% from 1 April 2018.

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TAX DIARY OF MAIN EVENTS

2018 Dates	What's Due
1 April	Corporation tax for year to 30/6/2017.
5 April	2017/18 tax year ends
19 April	Final RTI FPS due by this date. Indicate that this is Final Submission for the Tax Year
19 April	PAYE & NIC deductions, and CIS return and tax, for month to 5/4/18 (due 22/04 if you pay electronically)
1 May	Corporation tax for year to 31/7/17
19 May	PAYE & NIC deductions, and CIS return and tax, for month to 5/5/18 (due 22/05 if you pay electronically)
1 June	Corporation tax for year to 31/8/2017
19 June	PAYE & NIC deductions, and CIS return and tax, for month to 5/6/18 (due 22/06 if you pay electronically)

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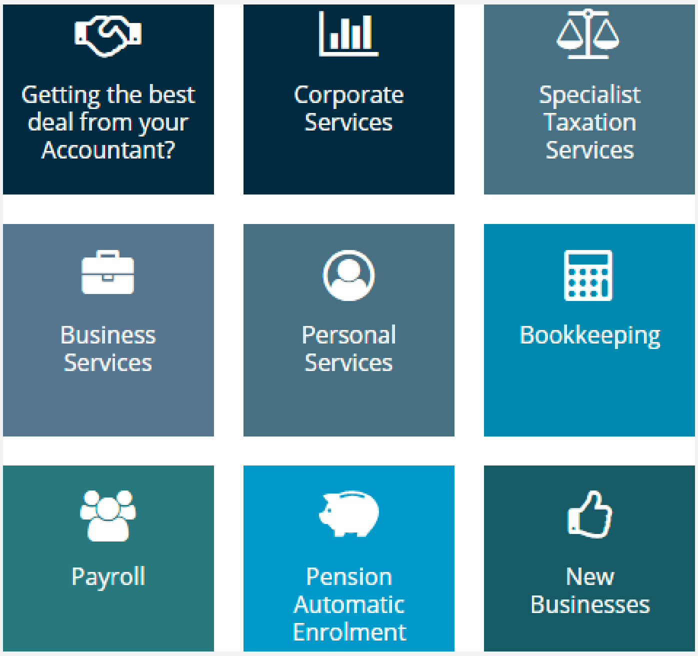
MNA WEBSITE



Remember we have a comprehensive website at https://www.marslandnash.com which contains full details of all of our services, as well as:-

⇒ Latest accounts and tax news
⇒ Downloads section which includes all our newsletters
⇒ Filing deadlines pages
⇒ Current tax rates and information pages

Plus much more!