

Dear Client

Happy New Year and welcome to our first monthly tax newsletter of 2015. These newsletters are 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

Crane & Johnston

END OF YEAR PAYE RETURN

Prior to the introduction of RTI, employers were required to complete an end-of-year checklist and declaration on form P35 and submit to HM Revenue and Customs. Under RTI this was replaced by the final full payment RTI submission which included a similar checklist and declaration.

HM Revenue and Customs have recently announced that from 6th March 2015, the requirement for employers to complete the end-of-year checklist when making their final full payment submission under the real time information regime will be removed, for the current tax year 2014/15 and subsequent years.

VAT RULES CHANGING FOR PROMPT PAYMENT DISCOUNTS (PPD)

In last year's Finance Act it was announced that the VAT rules for dealing with prompt payment (or early settlement) discounts would be changing from 1st April 2015. HMRC have now issued brief 49/2014 setting out guidance for businesses affected by the change, many of whom may need to change their invoicing procedures.

From 1st April 2015, output VAT will need to be calculated on the consideration actually received from the customer instead of the current rules where VAT is calculated on the value of the supply, net of any discount for prompt payment.

Let's assume, for example, that you supply goods to the value of £100 but allow the customer a 2.5% discount if they pay within 30 days. Under the current rules VAT is charged on the discounted price of £97.50 not £100, whether or not the customer pays within 30 days.

From 1st April 2015, suppliers issuing a VAT invoice will enter the invoice into their accounts, and record the VAT on the **full price**. If offering a PPD, suppliers must show the rate of the discount offered on their invoice. The supplier will not know if the discount has been taken up until they are paid in accordance with the terms of the PPD offer, or the time limit for the PPD expires. The supplier will then have two options to deal with the discount:

- (a) they may issue a credit note to evidence the reduction in consideration
- (b) alternatively, if they do not wish to issue a credit note, they will need to adjust the output tax in their VAT return and the invoice must contain the following information:

- (1) the terms of the PPD (in particular the time by which the discounted price must be made).
- (2) a statement that the customer can only recover as input tax the VAT paid to the supplier.

Please contact us if you wish to discuss the effect of these changes on your invoicing and accounting procedures.

STATE PENSION CHANGES

Recent editions of this newsletter have featured the important changes to personal pensions for those over 55 that take effect from 6th April 2015.

From 6th April 2016 the new flat rate State Pension will be introduced, which is expected to be around £150 a week. A person's actual entitlement will depend on their National Insurance contribution record.

Those who have built up an entitlement greater than the flat rate amount due to paying SERPs or other additional contributions will receive that higher amount.

Individuals will need a minimum of 10 qualifying years and the full flat rate State Pension will only be given if they have 35 qualifying years (previously 30 years).

Those aged over 55 are encouraged to contact the Department of Work and Pensions (DWP) to receive a projection of their expected State Pension and check their contribution record. It is possible to make good any shortfall by making voluntary Class 3 contributions (£13.90 a week). Those who are self-employed will find it cheaper to make Class 2 contributions (currently £2.75 per week). If you are an employee or director, provided your salary exceeds the Lower Earnings Limit (currently £5,772 p.a.) then although no NIC is actually due you are deemed to have contributed for that year.

£150 a week may not seem a lot to live on but note that at a 5% annuity rate you would need a fund of over £155,000 to generate such an income.

PRE 2009 EXPENSIVE CARS GET EXTRA RELIEF THIS YEAR

If your business bought a car costing more than £12,000 prior to April 2009, the writing down allowance has been restricted to £3,000 a year and the car was kept separate from other assets.

For accounting periods ending on or after 31st March 2014 for corporation tax and 5th April 2014 for income tax, the balance remaining for such a car transfers to the general capital allowance pool and receives the 18% writing down allowance.

For example, an Aston Martin DB9 bought for £121,000 in year ended 30th April 2008 would be written down to £100,000 at 30th April 2014. The writing down allowance for year ended 30th April 2015 would be £18,000, not £3,000.

CGT ENTREPRENEURS' RELIEF - OFFICER OR EMPLOYEE?

CGT entrepreneurs relief is available when owners of trading companies sell their shares, provided certain conditions are satisfied for the 12 months prior to sale. One condition is that the individual has 5% voting control, but a further condition is that they are an officer or employee of the company.

There have been a number of recent cases testing the Court's interpretation of the meaning of being an officer or employee, with some fortunate results where directors had recently resigned. The safest way to avoid the risk of losing this valuable relief would be to continue to be an officer of the company or remain on the payroll up to the date of the sale.

TAX DIARY OF MAIN EVENTS

| <i>Date</i> | <i>What's Due</i> |
|---------------------------|--|
| 1 st February | Corporation tax for year to 30/4/14 |
| 19 th February | PAYE & NIC deductions, and CIS return and tax, for month to 5/2/15 (due 22 February if you pay electronically) |
| 28 th February | Surcharge of 5% on 2013/14 self assessment tax still unpaid. |
| 1 st March | Corporation tax for year to 31/5/14 |
| 19 th March | PAYE & NIC deductions, and CIS return and tax, for month to 5/3/15 (due 22 March if you pay electronically) |