

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

Crane & Johnston

EMERGENCY PAYE TAX CODE TO BE APPLIED TO CERTAIN PENSION WITHDRAWALS

The new flexible pension rules came into force from 6th April 2015 for those aged 55 or over with money purchase pension schemes. As announced by the Chancellor in last year's Budget, these individuals will be able to withdraw as much as they wish from their pension fund but will be taxed on the amount withdrawn at their marginal tax rate. In some cases, the pension fund administrator will apply an emergency PAYE tax code to the payment on a month 1 basis which may result in more tax being deducted than the amount eventually due. This can either be reclaimed at the end of the tax year or during the year if you complete the appropriate HMRC form. Note that we can advise you of the tax implications of the amounts that you are considering to withdraw from your pension fund and, where necessary, assist you in reclaiming any excess PAYE deducted.

FURTHER BUDGET ON 8TH JULY

Following the Election result on 8th May, the Chancellor has announced that there will be a second Budget. We expect this to include a number of Conservative manifesto tax pledges.

HMRC DON'T YET HAVE THE POWER TO RAID TAXPAYERS' BANK ACCOUNTS

HMRC are seeking the power to recover unpaid tax over £1,000 from taxpayers' private bank accounts and legislation was originally going to be included in the 2015 Finance Act. However the new measures were not included in the first Finance Act but may be included in the next one!

This new power will only be used where the taxpayer has ignored several demands for payment. Additionally, the taxpayer's bank account should not be reduced below £5,000 by HMRC. If enacted, this proposed new power will extend to joint bank accounts in the tax debtor's name, but not those in the spouse's sole name.

CONSIDERING GIVING SHARES IN YOUR COMPANY TO EMPLOYEES?

More and more companies now give their employees the opportunity to acquire company shares. If correctly structured, this can be a very tax efficient way of attracting and retaining staff, as they are able to share in the success of the company. However, if you get things wrong there can be significant tax charges on the employee and employer. As a general rule, if employees are allowed to acquire shares at less than market value, the discount is taxable as employment income and PAYE; national insurance may also be due. So for example, where the employee pays just £1 for a share worth £10, the £9 difference would be taxable.

The issue of shares to an employee also needs to be reported to HMRC using Form 42 by 6 July following the end of the tax year. There are a number of schemes that you may wish to consider where the receipt of the shares will not be taxed as employment income and in some cases will only be subject to Capital Gains Tax when the shares are eventually sold.

It used to be possible to ask HMRC for confirmation that the share scheme satisfied the rigid rules for the tax advantages to apply, but this is no longer possible and employers are now required to "self certify" that the share scheme complies with the legislation. We can assist you with this process if you would like to consider putting a share scheme in place.

ENTERPRISE MANAGEMENT INCENTIVES (EMI) SHARE OPTION SCHEME

The best employee share option scheme currently available is the EMI share option scheme. In order to take advantage of this, both the company and employees must meet certain conditions. The company must carry on a qualifying trading activity and have a gross asset value of no more than £30 million. The employee or director must work at least 25 hours a week for the company and not hold more than 30% of the company's shares at the time that the EMI options are granted. The main tax advantages of EMI share options are that provided the option price is set at the correct value there would be no income tax or national insurance when the option is granted or exercised. Furthermore, the employee will then usually benefit from CGT entrepreneurs' relief which provides a 10% rate when the shares acquired under the option are eventually sold, such as on the sale of the business.

CORPORATION TAX RELIEF FOR EMPLOYEE SHARES

A further tax advantage of allowing employees to acquire shares in the company is that the employing company may be entitled to a Corporation Tax deduction. This deduction is the difference between the amount payable by the employee and the market value of those shares at the time they are acquired.

This will generally be the amount taxable on the employee so, for example, if the employee pays £1 a share when the shares are worth £10 each then the £9 per share discount will be deductible for the company.

TAX DIARY OF MAIN EVENTS FOR JUNE/JULY 2015

Date	What's Due
1 st June	Corporation tax for year to 31/08/14
19 th June	PAYE & NIC deductions, and CIS return and tax, for month to 05/06/15 (due 22 nd June if you pay electronically)
1 st July	Corporation tax for year to 30/09/14
6 th July	Forms P11D and P11D(b) for 2014/2015 tax year, and where appropriate form P9D
19 th July	PAYE & NIC deductions, and CIS return and tax, for month to 05/06/15 (due 22 nd June if you pay electronically); payment of Class 1A NICs for 2014/2015 (22 nd July if you pay electronically)

FORMS P11D DUE BY 6TH JULY

As mentioned in the tax diary, the deadline for filing the 2014/2015 returns of benefits and expenses paid to employees is 6th July 2015. Note that there can be significant penalties for incorrect returns so they need to be completed with great care. Remember that unless the employer holds a dispensation from HMRC, employees' and directors' reimbursed expenses (such as travel and subsistence) also need to be reported. We can assist you in completing the forms and to put in place control procedures that will satisfy HMRC