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the way you do*

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Welcome...

To September's Tax Tips & News, our newsletter designed to bring you tax tips and news to keep you one step ahead of the taxman.

If you need further assistance just let us know or you can send us a question for our [Question and Answer Section](#).

We are committed to ensuring all our clients don't pay a penny more in tax than is necessary.

Please contact us for advice in your own specific circumstances. **We're here to help!**

September 2011

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Swiss Bank Account Tax Deal

Stashing money in a Swiss bank account is not against the law. As long as you declare all the income and gains from your overseas investments and bank accounts on your UK tax return, there is no problem at all. Unfortunately some individuals have taken advantage of the Swiss laws which permit banks to keep their customers' details completely confidential, even from tax authorities, and did not declare the income on their tax returns.

To remedy this non-disclosure (AKA tax evasion), the UK Government has reached a unique tax deal with Switzerland. From 2013, investment income from Swiss bank accounts held by UK residents will be subject to a **withholding tax of 48%**, and gains made on those investments will be subject to withholding tax of 27%. These withholding taxes will NOT apply if the bank account holder authorises the bank to disclose all details of the income to HMRC, and pays any associated taxes in the UK.

To settle past tax liabilities, all existing funds held by UK taxpayers in Switzerland will be subject to a one-off deduction of between 19% and 34%. This deduction will only apply to amounts in bank accounts open at 31 December 2010, which remain open at 31 May 2013. However, if the bank account holder has instructed the bank to disclose details of the account to HMRC, the one-off deduction will not apply, but HMRC will follow-up all disclosures made.

If you hold a Swiss bank account, now would be a very good time to discuss this with us!

Business Exit Planning

Are you thinking about hanging-up your working boots and passing-on your business? This takes a lot of planning to get the best possible tax outcome.

If you have younger relatives who could take on the business it is advisable to get those individuals involved in the management for a considerable period before you go. You may need to restructure the business to make this hand-over easier, perhaps incorporate, or slim-down the enterprise.

Where your business is already run through a company, a neat method of exiting for the founder is to have the company to purchase its shares from you. However, this **'purchase of own shares'**, as it is called, must be planned and undertaken in a very precise way to ensure the tax charges are as low as possible.

Another option is to sell of all or part of the business to another person. This also needs to be planned at least a year in advance to ensure you and all your fellow shareholders achieve the maximum tax relief on the sale.

Entrepreneurs' relief can be claimed for most company sales, which reduces the effective rate of tax from 28% to 10% on the first £10 million of gains made by each shareholder. To qualify for entrepreneur's relief each shareholder and the company must meet all of these conditions:

- The shareholder must hold at least 5% of the ordinary shares of the company and 5% of the voting rights for the company for at least one year ending with the sale;
- The shareholder must be an employee, or director, or company secretary of the company for at least one year up to the date of the sale;
- The activities of the company must be at least 80% trading, as opposed to investments, or it must be the holding company of one or more trading companies.

Where your family members have minority shareholdings check whether they will each meet the 5% threshold. Consider gifting some shares to your grown up children or spouse to achieve this threshold. Where shareholdings exceed 5% but the individual does not work for the company, consider making them a non-executive director, or giving them a small part time position at the company for 12 months to the date of the sale.

If you are considering selling your business please talk to us well in advance to get the right planning in place first.

Jointly Held Property Tax Savings

With the threshold for 40% tax reducing every year (£35,000 after deducting allowances for 2011/12), it makes sense to review who pays the higher rates of tax within a family. Can some assets be transferred to the partner who pays a lower tax rate to reduce tax?

For example a let property could be transferred from one spouse into the joint ownership of the married couple or civil partners, or entirely into the other spouse's name. Joint ownership has advantages, as on the eventual sale of the property up to two annual exemptions (£10,600 each for 2011/12) may be available to reduce the chargeable gain. Transfers between husband and wife or civil partners who are living together do not create a capital gains tax charge at the time of the transfer.

Generally UK land can be held as joint tenants when the owners hold an equal undivided interest in the whole property, or as tenants-in-common where the individuals hold separate and identifiable shares, say 10% and 90% of the property (the legal terms may differ under Scottish law). However, where the owners are either married or in a civil partnership, the property will be treated for tax purposes as being held in equal shares (50:50), even if this is not the case. To be taxed on the actual interest each holds in the property the couple need to sign a declaration on Form 17 and submit it to HMRC.

Form 17 has recently been reissued. HMRC now require evidence of the actual beneficial interest held by each person in the property to be submitted with form 17. This evidence may be a copy of the property deeds, or the purchase or transfer document.

New Mileage Rates

Where your employees use a company car or van, but pay for the fuel themselves, the company can pay a fuel-only mileage rate for business journeys. This fuel-only rate is guaranteed to be tax free when it is equal to or less than the **advisory fuel rates** set by HMRC. These advisory fuel rates are now revised every quarter. The latest rates applicable from 1 September 2011 are shown below for different engine sizes, with the previous rates that applied from 1 June to 31 August 2011 shown in brackets.

Petrol & LPG Engines

1400cc or less: Petrol 15p (15p), LPG 11p (11p)

1401 to 2000cc: Petrol 18p (18p), LPG 12p (13p)

Over 2000cc: Petrol 26p (26p), LPG 18p (18p)

Diesel Engines

1600cc or less: 12p (12p)

1601 to 2000cc: 15p (15p)

Over 2000cc: 18p (18p)

Note there is now a different scale for diesel vehicles.

The advisory fuel rates are based on average fuel prices per litre:

- Petrol: 134.6p
- Diesel: 139p
- LPG: 75.8p

If the prices in your local area are significantly higher, or your company cars are less fuel-efficient than average, you can pay a higher mileage rate. You need to keep a record of how you calculated that higher rate.

Where your employees use their own cars for business journeys, you can pay a tax free mileage rate of 45p per mile for the first 10,000 business miles driven in one tax year, and 25p per mile for extra miles in the same year. This rate was increased from 40p per mile on 6 April 2011, so remember to pay the higher rate to your employees and to yourself when you undertake business journeys in your own car.

Where the company is VAT registered it can reclaim VAT on the fuel element of mileage rates paid to employees, if the employee supplies the company with VAT receipts for fuel showing enough VAT to cover the claim. The advisory fuel rates are purely for fuel. The 45p per mile rate is only partly for fuel, the excess above the advisory fuel rate is to pay for other costs of running the car which are incurred by the employee.

If you are self-employed, with an annual turnover below the VAT threshold of £73,000, you can use the 45p rate as an approximation for the cost of business journeys in your own car.

September Question & Answer Section

Q. I received my self-assessment statement and payslip on 17 August 2011, which shows tax due to be paid by 31 July 2011. I paid the tax due as soon as I could, but I am now worried that I will get charged interest and a penalty for late payment.



A. The late issuing of these statements was due to a lack of paper at HMRC's printers! As the delay was essentially their fault HMRC has decided to waive the interest due, as long as the tax payment is received by 27 September 2011. However, this interest free period only applies to the second payment on account of income tax for 2010/11, due by 31 July 2011. Any other late tax payments, such as tax due by 31 January 2011 will accrue interest as normal.

Q. My son worked for a company that has gone into liquidation. The Tax Office are refusing to acknowledge the student loan repayments which were deducted from his salary in 2010/11 and pass those repayments on to the Student Loans

Company. What can he do to get his student loan records corrected?

A. This can happen when the company folds before submitting its end of year PAYE return: form P35. This form shows the totals for all the deductions taken from each employee during the year. Your son needs to provide HMRC with any evidence he has of the student loan repayment deductions, such as original payslips or his form P60 for the tax year. HMRC should then pass this information onto the Student Loans Company who will correct his payment record.

Q. I recently applied for VAT registration for my business as the turnover had exceeded the compulsory registration threshold. Now I've had a call from the VAT office asking to come and see me. What have I done wrong?

A. A visit to a newly registered business is now normal practice for VAT officers, particularly where the first VAT return shows a repayment due. The VAT inspectors will want to see the invoices for your first VAT period, and be assured that you know how to keep adequate business records. We can sit in on the VAT visit to provide back-up for any difficult questions if you wish.

September Key Tax Dates

2 - Last day for car change notifications in the quarter to 5 July - Use P46 Car

19/22 - PAYE/NIC and CIS deductions due for month to 5/8/2011



Need Help?

Please contact us if we can help you with these or any other tax or accounts matters.



In addition, if there's anyone else who you think would benefit from the newsletter, please forward the email to them or ask them to contact us to be added to the newsletter list.

New Clients Welcome

If you are not already a client and are interested in becoming one, we would love to come to meet with you to discuss how we can help and provide you with a competitive quote for our services.



All new client consultations are provided free of charge and without obligation.

Disclaimer

The information contained in this newsletter is of a general nature and no assurance of accuracy can be given. It is not a substitute for specific professional advice in your own circumstances. No action should be taken without consulting the detailed legislation or seeking professional advice. Therefore no responsibility for loss occasioned by any person acting or refraining from action as a consequence of the material can be accepted by the authors or the firm.