

# Tax E-News

Welcome to our monthly newswire. We hope you enjoy reading this newsletter and find it useful.

September 2017

## NEW COMPANY LOSS RULES TO GO AHEAD

The Finance Bill due to be debated in early September will finally include the new rules for the set off of company losses that were originally announced in March 2016.

As a result of the first Finance Act being rushed through due to the snap General Election the legislation to introduce the new company loss relief rules were dropped. This led to considerable uncertainty as to the start date of the new rules but it has now been confirmed that the new rules will apply from 1 April 2017 after all.

So if your company diversifies into a new business activity the losses of one activity incurred after 1 April 2017 can be carried forward and set off against future profits of the new business. Previously such losses would have been ring fenced against future profits of the activity that incurred the losses.

There are new restrictions for companies and groups with profits in excess of £5 million and also changes to the set off of losses within a group.

We can of course assist you in ensuring that relief for losses is obtained in the most beneficial way.

## IS YOUR COMPANY CARRYING OUT RESEARCH AND DEVELOPMENT?

Many companies are still missing out on valuable tax breaks for expenditure on research and development (R&D). Revenue and Customs (HMRC) have recently updated their guidance on claiming R&D tax credit relief and have reminded companies that it is possible to obtain advance assurance that the R&D activities are eligible to make a claim.



If you are a Small or Medium Enterprise (SME), broadly with fewer than 500 full-time employees and either an annual turnover below 100 million euros or a balance sheet total under 86 million euros, then the tax relief is 230% of the amount spent on R&D. So if your company spent £100,000 on R&D then the profits would be reduced by a further £130,000.

In many cases this enhanced deduction will create or increase a loss which can be set off against other profits or carried forward against future profits. However it is also possible to obtain "cash back" from HMRC at the rate of 14.5%. So if the £130,000 tax relief above has the effect of turning a £50,000 profit into an £80,000 loss then HMRC would refund £11,600 in tax to the company rather than have to wait until future profits are made.

In order to make a claim for R&D tax relief the R&D project must seek to

achieve an advance in overall knowledge or capability in a field of science or technology through the resolution of scientific or technological uncertainty. Contact us if you think that some of the work being carried out by your company's technical staff might qualify as R&D and we can help you make a claim for this generous tax relief.

## REPORTING VAT ONLINE - AREN'T WE DOING THAT ALREADY?

Last month we reported that the government had announced the delay of Making Tax Digital for Business (MTDfB) to 2020 at the earliest but that quarterly VAT reporting, using the new system will be mandatory from 2019.

Surely we are doing that already you might say. However, currently businesses are only required to complete 9 boxes when they submit their quarterly, monthly, or annual VAT return online. Under the latest proposal for MTDfB the business will be required to submit the detailed transaction data supporting the output tax and input tax figures on a quarterly basis. This will therefore require those businesses affected to keep their accounting records digitally from the 2019 start date.

These changes won't affect business that are not VAT registered such as buy to let landlords for whom MTDfB will not apply until 2020 at the earliest, and even then only if their gross rental income exceeds the VAT registration threshold.

## REPORTING EXPENSES AND BENEFITS PROVIDED TO EMPLOYEES

HMRC have recently updated their toolkit dealing with the reporting of expenses and benefits provided to employees and directors in the light of significant recent changes in this area.

HMRC toolkits are designed to help minimise the risk of errors in returns and computations and their use, although voluntary, will be taken into consideration in determining whether or not reasonable care has been taken in the completion of a return such as a form P11d reporting expenses and benefits.

Reminder: It is no longer necessary to obtain a reporting dispensation from HMRC for certain reimbursed expenses such as travelling and subsistence. But it is still important for the employer to keep records to demonstrate that such expenses have been reviewed to ensure that they have been incurred wholly, exclusively and necessarily in the performance of the employee's duties. The toolkit reminds us to keep a record of the date and details of the expenses and benefits provided with associated documentation and also a record of any contributions made by a director or employee towards the cost of expenses and benefits provided to them. This recording also includes the new exemption for the provision of trivial benefits to employees.

## TRIVIAL BENEFITS

Remember that from 6 April 2016, benefits are exempt from tax and NICs if all the following conditions are satisfied:

- the cost of providing the benefit does not exceed £50;
- the benefit is not cash or a cash voucher;
- the employee is not entitled to the benefit as part of their employment conditions; and
- the employer does not provide the benefit in recognition of particular services provided by the employee

Where the employer is a close company and the benefit is provided to an individual who is a director or other office holder of the company (or to a member of their family or household) the exemption is capped at a total cost of £300 in the tax year.

## CHANGING YOUR COMPANY CAR? WHAT ABOUT A HYBRID NEXT?

The next Finance Bill will include legislation to reduce significantly the taxable benefit on the provision of low CO2 emission cars from April 2020.



From 2020 there will be a 2% benefit in kind for company cars that emit no CO2 such as electric and hydrogen powered cars. At the same time the system for taxing hybrid company cars will also be significantly changed. For example a hybrid car emitting less than 50g CO2 per kilometer will also have a 2% P11d benefit provided it has a range on its electric motor of at least 130 miles. For example a BMW i3 hybrid costing £30,980 has a range of 181

miles so will qualify for the 2% benefit rate resulting in a taxable benefit of just £620 a year. Such a vehicle would also qualify for a 100% first year allowance which means that the £30,980 cost of the company car would be deducted in full against business profits.

Contact us if you would like to discuss the tax implications of your next business vehicle.

## DIARY OF MAIN TAX EVENTS SEPTEMBER / OCTOBER 2017

Date	What's Due
1 September	Corporation tax for year to 30/11/16
19 September	PAYE & NIC deductions, and CIS return and tax, for month to 5/9/17 (due 22 September if you pay electronically)
1 October	Corporation tax for year to 31/12/16
5 October	Deadline for notifying HMRC of chargeability for 2016/17 if not within Self-Assessment and receive income or gains on which tax is due
19 October	PAYE & NIC deductions, and CIS return and tax, for month to 5/10/17 (due 22 October if you pay electronically)

Please contact a member of our team if you would like to discuss any of the issues raised.

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