

Welcome...

To December'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!**

December 2011

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Autumn Statement Tax Summary

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George Osborne did not have great tidings to impart when he presented his Autumn Statement to the House of Commons on 29 November 2011. The best he could offer the ordinary taxpayer was a freeze in road fuel duty until 1 August 2012, when it will increase by 3.02p per litre. Train and tube fares were due to rise by a whopping 8.2% next year, but this rise will be limited to (wait for it...) 6.2%.

Businesses who occupy small commercial premises receive some generosity with an extension to the business rates relief scheme to 1 April 2013 (already extended for a year to 1 October 2012). Different business rates relief schemes apply in England, Wales and Scotland so ask your local authority what relief applies to your building. Occupiers of larger business premises may be able to defer payment of up to 60% of the increase in business rates for up to two years.

Other **key tax announcements** for businesses and individuals were:

- New anti-avoidance rules for employer asset backed pension contributions, effective from 29 November 2011.
- State pension age rises to 67, to be phased in over two years from April 2026.
- Freeze in the couple and lone parent elements of working tax credit in 2012/13.
- No increase in child tax credit above the rate of inflation, as had been announced.
- Capital gains exemption to be frozen for 2012/13.
- Research & Development tax credit for larger companies given above the profit line rather than as a tax reduction, to apply from 2013.
- New Seed Enterprise Investment Scheme (SEIS) from April 2012, giving income tax relief of 50% for investments of up to £100,000 in start-up businesses.
- Exemption from CGT when gains realised in 2012/13 are reinvested under SEIS in the same tax year.
- 100% capital allowances in certain new Enterprise Zones, not in all zones.
- Main rate of corporation tax will reduce to 25% from April 2012.
- Air passenger duty to be extended to private jets from 1 April 2013.

Further detail on the new tax rules and rates will be announced on 6 December 2011, so we will cover any significant items for small businesses in our January 2012 newsletter.

Low Value Consignment Changes

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Businesses in the UK who sell small value items by mail order have long complained that they are undercut by shipments coming in from the Channel Islands. This is due to the operation of low value consignment relief (LVCR), which exempts from VAT parcels coming into the UK from outside the EU, where the value of the goods is less than a prescribed limit. The Channel Islands are outside the EU, but close enough to the UK to make shipping relatively cheap.

The limit per parcel for LVCR was £18 for years, but it was reduced to **£15** from 1 November 2011. HMRC have just announced that the LVCR will be removed altogether from 1 April 2012 for goods imported from the Channel Islands. This change should help UK based businesses, but will not help the distribution centres and flower growers in the Channel Islands!

Pension Lifetime Allowance Decrease

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There is another change due in April 2012 that will affect tax relief for pension contributions. The Lifetime Allowance, which is the maximum tax favoured fund you can have in a pension scheme, will **reduce from £1.8 million to £1.5 million from 6 April 2012.**

The maximum fund of £1.8 million will produce an indexed linked pension of around £75,000 p.a. for a man retiring at 65, using current annuity rates. So the new cap of £1.5 million is not particularly helpful. If you already have pension funds, which in total are worth more than £1.5 million, you may need to apply to HMRC to ring-fence your existing pension savings for tax purposes, under what is called **'fixed protection'**.

To work out whether fixed protection is required, you must add together the values of all your various pension funds. Most people will have accumulated funds in a number of schemes over their working life as they change jobs, or start contributing to new pension schemes for other reasons. If you are in this position, you will need to request a 'Lifetime Allowance Factor' (valuation of the fund), from all the companies with which you hold a pension scheme. Such requests normally take around eight weeks to process, so you need to get a move on.

The application for fixed protection must reach HMRC by **5 April 2012**, and it must be made on the prescribed form. Late applications will not be accepted. Where fixed protection is granted you will not be able to make any further tax-allowable pension contributions to a registered pension scheme, or build-up further benefits in a defined benefits scheme. So if you are considering applying for fixed protection for your pension funds, you should first take expert pensions advice.

Using VAT Groups

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Do you control several companies, or own one company, which in turn controls several other companies? You could save time, hassle, and VAT in some limited circumstances, by asking the Tax Office to treat all your companies as one VAT group. You then only have to complete one VAT return for the VAT group, instead of one return for each company, and pay one amount of VAT over to HMRC. Also the transactions between the companies that are within the VAT group are generally ignored for VAT purposes. There are exceptions for certain international services.

The companies within the VAT group don't have to carry on similar trades, they can operate in quite different business sectors. However, where some companies regularly receive VAT refunds and others pay VAT each quarter, it would not be sensible to put those payment and repayment companies together in one VAT group. Also, once the companies are together in one VAT group the limits for various VAT reliefs, such as cash accounting, error reporting, or partial exemption, apply to the turnover of the whole group.

An LLP can join a VAT group with a company, if both bodies are under common control. This can be useful where an LLP has been used in place of another associated company (an additional associated company may increase the corporation tax rate paid by the main trading company). A general partnership, which is not an LLP, cannot join in a VAT group under any circumstances.

December Question & Answer Section

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Q. I own a number of rental properties; a mixture of self-contained flats and houses. I've received an email from a property expert that says I can claim capital allowances as a percentage of the cost of these properties, which will produce a guaranteed tax refund for me. Is that true?



A. No, this is not true. Capital allowances cannot be claimed for equipment or fittings used within residential properties, which the Tax Office refer to as 'dwelling-houses'. There is an exception for properties that qualify as furnished holiday lettings, when each letting must generally be for short periods of less than 30 days. If you make a capital allowance claim for your rental properties it may be passed by the Tax Office, under their 'process now, check later' system. But when the Tax Inspector checks your claim it will be refused, any tax refunded will have to be repaid with interest, and penalties will be charged. This can happen up to 20 years after you submitted the incorrect claim!

Q. My employer has given me a form P11D, which shows that I am taxed on the cost of my smart phone. I thought each employee could have one tax-free mobile phone, so why am I taxed on my only mobile phone?

A. Tax Officials think smart phones are computers rather than phones, so don't want to apply the 'one free mobile per employee' rule, when the mobile phone is a smart phone. However, this can work in your favour if the private use of the smart phone provided by your employer is insignificant. Where any computer equipment is provided to you solely for work purposes, and there is no significant private use, there should be no tax charge. This tax-free treatment doesn't apply where the contract for the mobile phone is in your own name and not the company's name. In that case, where your employer pays for your smart phone the cost is taxed as if it was part of your salary. To remedy this, make sure your next smart phone contract is made between your employer and the telephone provider and you are not a party to that contract.

Q. I work as a nurse in a NHS hospital. My professional organisation tells me I can claim tax refunds for the last 6 years, for the cost of the particular shoes and socks I need to wear for work. Is there a limit on what I can claim?

A. There are set limits for such costs, known as flat rate expenses, which vary according to the taxpayer's profession and work description. The full list of tax claimable flat rate expenses can be found here: <http://www.hmrc.gov.uk/manuals/eimanual/EIM32712.htm>. Nurses can claim £100 per year as a flat rate expense against their taxable income for uniforms without any receipts but in addition can claim £12 per year for the cost of shoes and £6 per year for stockings or tights. The £100 figure was £70 per year from 2004/05 to 2007/08. However, you need to make your claim quickly, as the deadline for claims relating to 2005/06 is 31 January 2012. The deadline for 2006/07 is 31 March 2012, and for 2007/08 it's 5 April 2012. However those deadlines only apply if you were taxed under PAYE, and did not submit a self-assessment tax return for those tax years. If you did submit a self-assessment tax return for the year the claim relates to, your claims period is already limited to 4 years from the end of that tax year. In that case the earliest year you can claim for is 2007/08, and the claim must be received by HMRC by 5 April 2012.

December Key Tax Dates

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19/22 - PAYE/NIC and CIS deductions due for month to 5/12/2011

30 - Deadline for 2010/11 self assessment online returns to be filed if you are an employee and want tax underpaid to be collected by adjustment to your 2012/13 PAYE code (for underpayments of up to £3000 only)



31 - VAT reclaim deadline for submission of all claims for non EU traders wanting to reclaim VAT in the UK

Need Help?

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New Clients Welcome

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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.

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.

About Us

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