



There is so much important information to share with you, with the aim of keeping you up-to-date on legislation changes that may affect you or your business and some important changes here at the Firm we decided to put it all together in our second newsletter.

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Commencement day - the end of specific tax reliefs for furnished holiday lets

6 April 2010, now known as 'Commencement Day', is the date the favourable tax treatment currently in existence for the letting of property classified as holiday accommodation comes to an end.

From that date, the profits arising from property let as holiday accommodation will no longer be classified as trading income but will be taxed as a property investment business.

The withdrawal of the trading status of holiday let businesses will have wide reaching tax implications, including income tax, capital gains tax and inheritance tax issues.

HMRC has published transitional rules which may provide an immediate opportunity for those affected by the change in legislation. From 6 April 2010, there will be few circumstances where the letting activities are carried out in such a way that HMRC will accept that a trading activity continues. Where the activity constitutes receiving income from the letting of property, rather than the provision of additional services to holiday makers, the favourable tax reliefs will no longer be available. This means the ability to offset losses from the activity against other income will be lost. No further additions can be made to the capital allowance pool after 5 April 2010, although the transitional rules provide that any unused expenditure remaining in the capital allowance pool will be allowed as a writing down allowance after 2009/10.

Wear and tear allowance will be available from 6 April 2010.

There is a one-off opportunity to obtain tax relief on any expenditure on equipment etc incurred before 5 April 2010. So if you are contemplating upgrading property you let as holiday accommodation, this should be carried out before 5 April 2010, to maximise your claim for tax relief.

There are also significant changes to the timing of the availability of Entrepreneur's relief for capital gains tax purposes, as well as implications for Inheritance Tax.

If you would like further information or advice please contact your usual contact at **M+A Partners**. Alternatively contact Clare Goodswen on 01603 227600 or email clare.goodswen@mapartners.co.uk

New HMRC Initiatives - the Tax Health Plan and more

HMRC recently announced the focus of its latest tax amnesty, the Tax Health Plan (THP). The focus of this initiative is Doctors and Dentists but it is open to all 'Medical professionals'. HMRC has made it clear that it is paying particular attention to undeclared income (such as private practice fees, crematorium fees, fees for medical reports etc).

Under the new THP, medical professionals are being encouraged to tell HMRC if they have undeclared income. Those who wish to make a voluntary disclosure have until 31 March 2010 to register their intention to do so with HMRC.

Those taxpayers making a voluntary disclosure have until 30 June 2010 to make a full disclosure to HMRC and to make arrangements to pay all the tax, late payment interest and the fixed 10 per cent tax-gear penalty.

This is the first in a targeted approach by HMRC to scrutinise the tax affairs of specific sectors. HMRC has already made it clear that it will be focusing on barristers and solicitors next, whilst also looking closely at the accounts and tax returns of fish and chip shop owners for unrecorded sales.

For more information contact Clare Goodswen on 01603 227600 or email clare.goodswen@mapartners.co.uk

Tax planning before 5 April 2010

The tax year ends on 5 April 2010. With changes to personal taxation rates from 6 April 2010, there are opportunities to mitigate the increased tax rates if action is taken now.

Income Tax planning opportunities

- + If you hold unexercised share options, consider exercising these before 5 April 2010 if you will be a 50% taxpayer from 6 April.
- + Use tax exemptions to shelter income from tax, including ISA allowances, national savings products (premium bonds and savings certificates) or venture capital trusts (30% income tax relief available and tax free dividend income).
- + Pay pension contributions.
Higher earners may no longer be able to make irregular pension contributions but 40% taxpayers still receive full tax relief on their pension contributions. High earners should seek professional advice if they think they will be affected by the new rules.
- + Consider transferring income producing assets between spouses.
This is relevant where one spouse pays tax at a lower rate of income tax. Property can be transferred into joint names using a declaration of trust. Consider completing Form 17 which can record an alternative ownership percentage than 50/50.

Capital Gains Tax planning opportunities

- + Capital gains tax is currently a flat rate of 18% and is expected to increase in the Spring budget.
Consider bringing forward the date of exchange of contracts if you are in the process of disposing of an asset chargeable to capital gains tax.
- + Utilise your annual capital gains tax exemption (currently £10,100).
Consider selling investments and reacquiring them either after 30 days or immediately in your spouse's name to increase the base cost of your investments.

Business Tax planning opportunities

- + Consider changing the accounting year end.
If your accounts are drawn up to a date other than 31 March or 5 April, changing the year end may mean that profits are taxable in 2009/10 at 40% rather than in 2010/11 at 50%. Overlap relief may also be available to reduce the profits subject to tax in 2009/10.
- + Examine the structure of your business.
Could the business, or part of it, be incorporated or could a company be introduced as a partner of the business? A company can significantly reduce tax liabilities by deferring the time at which income is subject to personal tax. If immediate income distribution is required, the tax savings are reduced. We can prepare detailed tax projections as well as provide advice on the structure of your business.

- + Secure tax relief on borrowings
Loans taken out to introduce funds into a business, including a property business, may qualify for tax relief at the borrower's marginal rate of income tax. This includes personal borrowings taken out to introduce working capital into a business in which you are a partner, or to subscribe for shares in some family companies.
- + Consider salary sacrifice arrangements for benefits and pension contributions for your staff.
This can save tax and national insurance for both employer and employee. From 6 April 2011, the potential savings are increased as NIC rates increase by 0.5%.

Company Tax planning opportunities

- + Consider accelerating the payment of bonuses and dividends, so that they are treated as paid in 2009/10, rather than 2010/11.
- + If directors have existing loan accounts with the company, consider withdrawing funds from the company by way of loan repayments rather than salary or dividends.
- + If taxable profits exceed £300,000 marginal rate corporation tax at 29.75% as opposed to 21%, may apply (associated companies reduce this limit). Consider timing of pension payments, directors' remuneration and acceleration of trading and capital expenditure to reduce this extra tax cost.
Similarly, for larger companies planning expenditure in advance can help avoid the cash flow impact of payment by instalments.
- + With the temporary First Year Allowance of 40% coming to an end on 31 March, consider bringing forward capital expenditure on items of plant and machinery to accelerate tax relief.
Care needs to be taken on items being financed through Hire Purchase and similar agreements to secure the relief.

Inheritance Tax planning opportunities

- + Utilise the annual IHT exemptions such as the £3,000 gift exemption and £250 small gifts exemption.
- + Consider creating a discretionary trust to hold assets which currently qualify for 100% Business or Agricultural property relief, where the relief may be lost in future (such as possible development land).
- + Consider gifting income producing assets into trust up to the nil rate band of £325,000 and giving a temporary interest on possession to the beneficiaries.

To find out more about information on these opportunities call your usual **M+A Partner**. Alternatively, call 01603 227600 to speak to a member of our tax team.

Compulsory e-filing for VAT Returns

From 1 April 2010, most VAT registered businesses will have to file their VAT returns online. This will apply even if you complete a nil return or a repayment return.

If you are required to file your VAT returns online, you will also need to pay your VAT liabilities electronically, so you may need to set up online banking with your bank. Alternatively you can simply instruct HMRC to take payment by Direct Debit so the payment is collected 3 days after the due date of the VAT return.

Accounting software such as Sage 50 includes the ability to file VAT returns from within the software, and as a Sage Business Partner we can help get you up-to-date. Even if you use older software, or manual methods, to calculate your VAT figures, the return information can be entered directly on the HMRC website.

For more information, or assistance on e-filing please contact David Talbot on 01603 227600 or email businessservices@mapartners.co.uk

Dispensation for benefits and expenses

A dispensation is a letter of agreement from HMRC to remove the requirement to report some expenses and benefits on forms P11D or P9D at the end of the tax year. A dispensation therefore saves a business the time and money spent in gathering the information required for the P11D or P9D, as well as an accountant's fees in preparing the forms.

To be covered by a dispensation, the expense or benefit needs to be of the type which the employee would be able to claim a full income tax deduction against (i.e. the expense is wholly business related).

Examples of expenses and benefits commonly covered by a dispensation are:

- + travel, including subsistence costs associated with business travel
- + fuel for company cars
- + hire car costs
- + telephones
- + business entertainment expenses
- + credit cards used for business
- + fees and subscriptions

You can apply for a dispensation at any time. In general, dispensations take effect from the date on which HMRC issues them. However, they may agree your dispensation can take effect from the beginning of the tax year in which you applied for it.

For more information, please contact Heather Smith on 01603 227600 or email heather.smith@mapartners.co.uk

Income Tax planning for Discretionary Trusts

From 6 April 2010, the rate of income tax payable by discretionary trusts with annual income in excess of £1,000 per year increases to 50%, or 42.5% for dividend income.

In some circumstances it may be suitable for the trustees to consider giving a temporary life interest in the trust income to the beneficiaries of the trust, so that the trust income is assessable directly on the beneficiary, thus avoiding the 50% trust rate of income tax.

The trustees retain control over the trust's assets and income because the temporary life interest can be revoked at any time, at the trustees' discretion. This may be particularly suitable where the level of the trust income is such that it exceeds the beneficiary's personal income tax allowance and can provide a tax efficient solution to the increase in trust income tax rates without any implications for the Inheritance Tax status of the trust.

There are a number of factors that trustees may wish to consider if contemplating giving a beneficiary a temporary right to receive the trust income.

For more information, please contact Clare Goodswen on 01603 227600 or email trustsandestates@mapartners.co.uk



Change of face at our Attleborough office

After working for 30 years in the accountancy profession and the last 22 years at M+A Partners, Martin Jermy, Partner at our Attleborough office, has decided that it is time for a change.

Please join us in wishing Martin farewell for the end of April, as he leaves M+A Partners to spend some time pursuing a more leisurely lifestyle.

However, it is business as usual for our Attleborough office as Mary-Anne Sargeant, a Partner of the Firm, will take on responsibility for the office alongside her existing client portfolio.

Mary-Anne will soon become a familiar face in and around Attleborough and is looking forward to meeting our existing and new clients in the area.



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Update on Corporate Finance

There are encouraging signs that banks are becoming more willing to provide finance to entrepreneurial businesses. We have recently assisted our clients in securing funding for a number of purposes, from a new venture in the retail sector through to an acquisition of a manufacturing company.

Whilst raising capital isn't as straightforward as it was, banks look favourably on well presented business plans, particularly if they have been put together with the help of professional advisers.

We have worked with the banks to identify key criteria they consider in funding a wide range of applications, including working capital, capital expenditure, refinancings, succession planning, buy-outs and acquisitions.

We are happy to provide impartial advice and offer solutions for your requirements. Contact either Christian Schosland or Paul Hollander in our corporate finance team on 01603 227620.

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M+A Partners is sponsoring 'Mick Jones: The Rock and Roll Library'

Mick Jones, former band member of The Clash, has an impressive collection of memorabilia from all of the bands he has worked with. This was first exhibited in London's 'CHELSEA space' last year and we are thrilled to be supporting Norwich University College of the Arts for its first showing in the provinces.

For further details visit www.mapartners.co.uk/events.html



Childcare Vouchers - An update

Issue 01 of the M+A Partners Newsletter included proposals announced by the government to introduce a phased withdrawal of tax efficient childcare vouchers from April 2011.

Following pressure from various groups, including some high profile MPs, Alistair Darling has announced that changes to the existing income tax and national insurance arrangements for childcare vouchers will only apply to employees who join an employer scheme on or after 6 April 2011.

For employees who join a scheme from that date, the tax relief available under this scheme will be limited to basic rate tax relief only. For employees whose income exceeds the basic rate tax band, the employer will be required to assess the amount of income the employee will earn in each tax year and limit the tax free amount of the childcare vouchers to either £28 per week for a 40% tax payer, or £22 per week for a 50% tax payer, so that all employees receive the same maximum amount of tax relief, being £11 per week.

For employees already in an existing scheme on 5 April 2011, the existing tax relief will remain available until the employee leaves the scheme.

Therefore, employers who are currently considering whether to implement a scheme should act now to ensure the appropriate arrangements are in place before 5 April 2011.

If you would like our help to implement a scheme, please contact Heather Smith by calling 01603 227600 or email heather.smith@mapartners.co.uk

...And finally

If you haven't submitted your 2009/10 Employer Annual Returns (P35/P14s) ONLINE already, remember ALL employers are required to do so by 19 May 2010. If you file your return late, you'll be charged a penalty of £100 per 50 employees for each month or part month that your return is outstanding.

Also, under the current rules, all PAYE payments due for 2009/10 must be paid by 19 April 2010 to avoid interest charges for late payment. In addition, from May 2010 you may have to pay a penalty if you do not pay the PAYE due each month, on time and in full. This will apply to ALL employers.

And remember, if you are required to file a form P11D(b), it must reach HMRC by 6 July. The same deadline applies regardless of whether you file the form online or send HMRC a paper version. If you file your P11D(b) late, you'll be charged a penalty of £100 per 50 employees for each month or part month your return is outstanding after the 6 July deadline.

M+A Partners can assist with the submission of online/paper forms and returns. If you would like any further information on the above deadlines please contact Heather Smith on 01603 227600 or email heather.smith@mapartners.co.uk