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WELCOME TO THE LATEST EDITION OF TALKING TAX

Welcome to the first edition of Talking Tax for 2018. In this newsletter we remind you of HM Revenue & Customs' wide-ranging powers, revisit the tax position for car owners/users, highlight some planning with share schemes and warn readers not to assume that they are claiming the full amount of tax relief on their pension contributions. If you have a specific topic you would like highlighted in the next edition of the newsletter, please do let us know.

MARY McDONAGH

HM REVENUE & CUSTOMS (HMRC) DRACONIAN POWERS

A Think Tank has recently reported that sweeping new powers introduced by HMRC may deny taxpayers' access to justice. The changes were introduced to give HMRC more power in attacking avoidance schemes immediately rather than waiting years for the matter to be settled by the courts, as was the case previously.

HMRC have issued Advanced Payment Notices (APN) along with Follower Notices to recoup tax where they believe there has been tax evasion before the matter comes to court. Although it is intended that APN monies will be repaid if HMRC lose the particular case in court this may take many years to come to fruition. A follower notice may only be challenged by making representation to HMRC within 90 days on 3 approved conditions. There are stringent penalties of up to 60% if the actions are disputed or the tax is not paid timeously.

Further, there is now the ability for HMRC to "name and shame". In 2016 HMRC acquired the ability to name taxpayers as "serious avoiders" and give full details of the matter concerned.

HMRC responded to the strictures by stating "our powers deter the small minority who try to dodge their obligations and that there are safeguards to protect taxpayers' rights". However, the Think Tank urged the government to introduce some form of third party intervention to regulate matters "if only to provide confidence in the system and the position of HMRC as administrator rather than lawmaker".

Anyone who is affected by any of the above should seek our assistance as a matter of urgency.
Stephen Williams – stephen.williams@kilsbywilliams.com

CHANGES TO CAR BENEFITS AND OPPORTUNITIES FOR TAX SAVINGS

The recent budget announced significant changes for company car benefit-in-kind tax. The most notable change is the increase in the surcharge for diesel cars from 3 to 4 percent from 6 April 2018. This will apply to all diesel cars registered on and after 1 January 1998 that do not meet the real driving emissions step 2 standards. However, the diesel supplement still does not apply to hybrid cars.

Cars are becoming increasing unpopular with HM Revenue & Customs with the CO2 percentages set to rise again in the forthcoming tax years. However, in a push towards electric and hybrid cars, the Chancellor announced that from 6 April 2018 no benefit-in-kind will arise where electricity is provided for an electric car.

With CO2 percentages markedly lower for electric or hybrid cars it seems apparent that if you are interested in saving tax these cars are the way forward. To encourage more people to go green the government will give a 75% grant on getting a charging point installed in your home whilst similar grants are available for businesses. Furthermore, people charging electric cars at work will not face a benefit-in-kind charge from next year. With so many opportunities to reduce your costs and tax exposure please contact us to discuss this further. James McGaw – james.mcgaw@kilsbywilliams.com

REWARDING INVESTORS – GOVERNMENT CHANGES TO SHARE SCHEMES

Choosing where to invest your money can involve both great risk and reward. However, the autumn budget of 2017 showed that the Government wants to incentivise investment into small enterprises and ventures as a means to promote growth from the ground up.

Enterprise Investment Schemes (EIS) offer tax relief to investors in newly issued shares. Historically, the maximum subscription had been capped at £1 million, meaning that up to £300,000 could be deducted from the investor's tax liability in the year of qualifying investment. However, the Budget brought with it a push for investment in knowledge intensive companies, increasing the annual maximum to £2 million, meaning a potential reduction to an investor's tax liability of up to £600,000.

Additionally, qualifying knowledge intensive companies would benefit from these annual investments being increased from £5 million to £10 million. This, coupled with the other tax advantages from this type of investment, including deferral of capital gains and the ability to carry back the tax relief to the preceding tax year, makes this a very attractive deal.

The same increased annual maximums for tax advantaged investments are also applied to Venture Capital Trusts (VCTs), which offer the same tax reducer of 30%. These changes will come into play on shares issued and investments made, on or after 6 April 2018 for EIS and VCTs respectively.

We have tax experts with specialist knowledge in shares schemes. If you wish to discuss these, either as an investor or company owner, please contact Emily Williams – emily.williams@kilsbywilliams.com

PENSION TAX RELIEF- DON'T BE A LOSER!

It has been estimated that as many as 25% of higher rate tax payers may be failing to claim full tax relief on their pension contributions.

If you are a 40% taxpayer during the 2017/18 tax year, you are entitled to receive tax relief on your pension contributions at the higher tax rate. If you are a member of a non-contributory company pension scheme via a salary sacrifice arrangement, then you should be receiving full tax relief. However, employees in other company arrangements and people making Additional Voluntary Contributions (AVC's), should review their position.

In many company pension schemes, the employee pension contributions are deducted from the net (after tax) pay. When the contributions are received by the pension company they add basic rate tax relief (20%) automatically; however, the additional 20% tax relief must be claimed personally by the employee.

For people making free standing AVC's, the payment made to the pension company is also made after deduction of basic rate tax; e.g. if you want to make a "gross" contribution of £10,000, you will pay cash of £8,000 to the pension provider. Again, you should claim the additional tax relief personally.

The additional tax relief can be claimed by either entering the gross contribution on your annual Self-Assessment Tax return or notifying your tax office so that your tax code is changed to reflect the pension contribution made.

If you have omitted to claim relief to which you are entitled in previous tax years, you should be aware that there is a time limit of four years to claim back any tax relief from HM Revenue & Customs. A claim must be made within four years of the end of the tax year for which you are claiming.

If you wish to discuss this please contact Mary McDonagh – mary.mcdonagh@kilsbywilliams.com

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