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# JWS NEWS

## Minimising your tax bill ahead of the year end

April may seem a long way off, but it is never too early to start planning to reduce your tax liability before the end of the financial year. In fact, the earlier you begin, the more opportunities will be available to you.

### Additional savings for pension contributions

In some cases personal contributions into pension schemes can attract relief of up to 60%, which makes them an ideal tax-free investment. Pension contributions need to be made by 5 April 2014 for them to be applied against 2013/14 income. Relief is available for tax on annual contributions, limited to the greater of £3,600 (gross) or the amount of the UK relevant earnings, but subject also to the annual allowance (currently £50,000 until 5 April 2014).

Note that from 2014/15 the annual allowance will be reduced to £40,000, while the overall tax-advantaged pension saving lifetime allowance will fall from £1.5 million to £1.25 million.

### Could you benefit from capital allowances?

For a temporary two-year period from 1 January 2013, businesses can claim a 100% Annual Investment Allowance (AIA) on the first £250,000 spent on most types of plant and machinery (excluding cars). There are also some allowances available to encourage 'green' investment, for energy-saving equipment and low CO<sub>2</sub> emissions (up to 95 g/km) cars.

Making a purchase just before the end of the accounting year could mean that allowances are available a year earlier than if the purchase was made just after the year end. Spreading the cost of large expenditure over two years could increase the available relief. For more information on capital allowances, please contact us.



### Tax-free saving opportunities

Adults (18 or over) with an ISA can save a maximum of £11,520 for the year 2013/14 without having to pay any tax. Investments can be made up until 5 April 2014, so be sure to make full use of this tax-free allowance, as it cannot be carried over into the next financial year.

### Dividends: timing is crucial

The top rate of income tax is now set at 45% and the dividend additional rate is 37.5%. It might therefore be practical to consider delaying the payment of your dividends until after the year end. This could provide you with tax savings if your income is likely to exceed £150,000, especially if you expect your income for 2014/15 to be less. Please contact us for more guidance.

### Tax and the family

If your spouse or partner has little or no income, consider transferring income (or income-producing assets) to them to ensure that they are able to make full use of their personal allowances (£9,440 in 2013/14). However, care should be taken to avoid falling foul of the settlements legislation governing 'income shifting' and you need to consider the legal consequences of transfers.

Children also have their own personal allowance, meaning that income of up to £9,440 escapes tax this year, providing it does not originate from parental gifts.

**We can help you to utilise the tax-saving opportunities that may be available to you ahead of the year end. Please contact us for advice tailored to your circumstances.**



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# When the tax inspector calls...

HM Revenue & Customs (HMRC) has significantly stepped up its compliance activity in recent months. Being the subject of a compliance check can be a worrying and time-consuming experience, but there are steps you can take to minimise the risk and to help ensure that any such investigation runs as smoothly as possible.

As compliance checks are often conducted at random, they cannot be avoided entirely. However, inconsistencies or delays in producing your returns or making payments may attract HMRC's attention, which could prompt an investigation.

You should therefore make sure that you always employ the following good practice measures:

- file your tax returns promptly
- make your tax payments on time
- ensure that your figures are accurate
- maintain adequate business records.

We can assist you, by dealing with your record-keeping requirements, filing returns on your behalf and notifying you of any tax payable.

## Dealing with a compliance check

The length and complexity of compliance checks varies, but the more involved cases could cause significant disruption to your business.

If you have been chosen for a compliance check, you will normally be notified by letter. This enquiry notice should tell you whether HMRC would like to examine a certain aspect of your business or conduct a full enquiry.

You will most likely be asked to submit your accounts or any other business

records to HMRC for assessment. It is important to keep a record of any correspondence or exchanges with HMRC and to make copies of any documents being inspected, as well as sending any postal correspondence by recorded delivery.

If you are shown to have taken 'reasonable care' and to have sound record-keeping systems in place, it is unlikely that you will be penalised. However, deemed 'carelessness' will usually attract a penalty of up to 30% of the extra tax due, while fines for deliberate errors could be as much as 70% of the tax due.

## Acting in good time

Remember, we are here to help you! We have experience of dealing with HMRC compliance checks, and can liaise with the authorities on your behalf and be present at any meetings. Involving us from an early stage could make all the difference to the outcome of any investigation.

### In the pipeline: Single Compliance Process

Following recent consultations, HMRC is set to introduce a new approach to compliance checks relating to income tax and corporation tax, with the aim of improving openness, increasing consistency and reducing the burden on businesses.

The new Single Compliance Process (SCP) will help to reduce the length of time involved in an enquiry, by tailoring the approach to the level of intervention required, and establishing whether the procedure will be desk-based, involve face-to-face visits, or require a more stringent evasion-related approach.

**We can work alongside you to ensure that your records are accurate and robust. Should you be subject to an HMRC compliance check, we will guide you through the process and provide advice and support as required.**

# Home or away? The new statutory residence test

Following a lengthy period of consultation, a new statutory residence test (SRT) has now been introduced, with the aim of helping to determine whether or not an individual is resident in the UK for tax purposes.

## Background to the changes

The intention to introduce a statutory residence test was first announced in the 2011 Budget, and the test was passed into law with Royal Assent of the Finance Act 2013 in July, although the rules apply retrospectively from 6 April 2013.

Previously, many of the decisions regarding tax residence were dependent on case law. The aim of the new statutory residence test is to provide greater clarity and certainty regarding the tax status of individuals.

The test applies for the purposes of income tax and capital gains tax, as well as inheritance tax and corporation tax where appropriate.

## The new system: an overview

The concept of ordinary residence was abolished from 6 April 2013 and replaced with the new statutory test (subject to transitional provisions).

The statutory residence test consists of three parts:

- the automatic residence test
- the sufficient ties test
- the automatic overseas test.

## The basic rule

An individual is resident in the UK for a tax year if:

- the automatic residence test is met for that year, or
- the sufficient ties test is met for that year.

If neither of these tests are met, the individual is not resident in the UK for that year.

## Test components

The automatic residence test is met if the individual meets:

- at least one of the four automatic UK tests, and
- none of the five automatic overseas tests.

## Transitional rules

Transitional provisions apply to the tax years 2013/14 to 2017/18 inclusive.

HMRC has produced a new SRT tool, the Tax Residence Indicator, which indicates whether individuals are likely to be classed as resident in the UK for the purposes of income tax and capital gains tax: <http://tools.hmrc.gov.uk/rift>.

**The rules governing residency are complex and this article offers general guidance only. Please contact us for further information.**



# Could you cut your national insurance payments?

National insurance contributions (NICs) can represent a substantial cost for today's employers, and a significant tax burden for many employees. While scope for mitigating your national insurance bill may be limited, there are nevertheless some key strategies which may help to save employer and/or employee NICs.

## Consider a dividend

Where directors are in receipt of a salary or bonus, on which NICs are payable, it may be more tax-efficient and cost effective for part of the payment to be made as a dividend.

However, the decision on whether or not to pay a dividend is complex because the payment of a dividend may influence the value of the company's shares and therefore increase the potential future liability to capital gains tax and inheritance tax. There is also a maximum amount that may be paid, based on the company's results. Note that special rules apply for some companies providing personal services.

Care should be given to the timing of dividend payments, and it is important to consider the wider implications for both you and the company. Please speak to us before taking action.

## Salary sacrifice and tax-free benefits

A salary sacrifice arrangement in respect of tax-free benefits in kind, such as the

provision of childcare, could result in a saving for both the employer and the employee.

As a result of swapping cash salary for childcare vouchers, the employee can save both tax and NICs. The employer also saves employer (secondary) Class 1 contributions. However, when entering a salary sacrifice arrangement care should be taken not to reduce the cash salary to below the lower earnings limit for NI purposes (£109 per week for 2013/14) as this may adversely affect entitlement to statutory payments.

Care should also be taken to ensure that the reduced salary does not fall below the level of the national minimum wage.

## Pension contributions

Employer contributions to company pension schemes are free of tax and NICs for the employee. Any increase in employer pension contributions could therefore result in a bigger NIC saving for the employee, whilst boosting the value of their retirement income.

However, you should watch the annual allowance – pension inputs exceeding the allowance (£50,000 for policy years ending in 2013/14) may be subject to a tax charge.

## Share incentive plans

Share incentive plans (shares bought out of pre-tax and pre-NIC income) can be an effective way of reducing employee NICs. Employees who receive shares under a Share Incentive Plan and keep them in the plan for five years will not have to pay income tax or NICs on their value when they acquire them. However, the employee will be liable to income tax and NICs if they choose to take shares out of the Share Incentive Plan early (the amount payable will depend on when the shares are taken out).

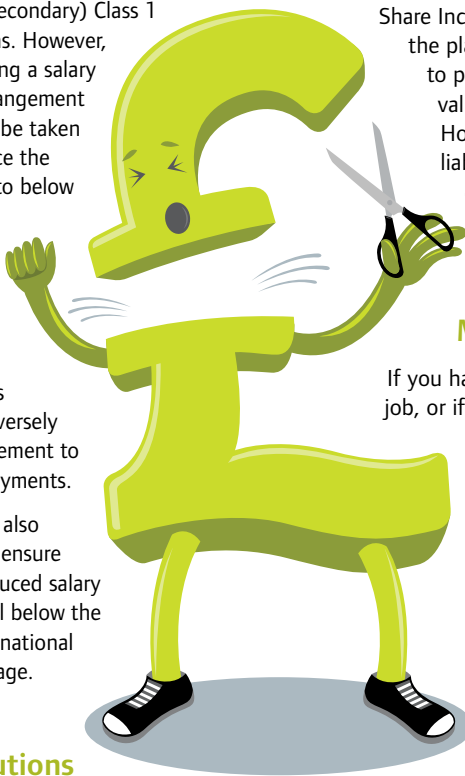
## More than one job?

If you have income from more than one job, or if you have self-employment income as well as income from being employed, you should ensure that you do not pay more in NICs than you need to.

The prescribed annual maximum normal contribution for an individual is 53 weeks at the standard primary (employee) Class 1 contribution rate between the earnings threshold and the upper earnings limit. For 2013/14 this works out at £4,121.28 plus an additional 2% payable on earnings in excess of the upper earnings limit.

If you think there is a chance that you will exceed this limit, you can apply for deferment of contributions on the 'surplus' employments and/or self-employment – please speak to us for further assistance.

**We can advise on strategies to help keep your tax liability to a minimum wherever possible – please contact us for advice tailored to your circumstances.**



## Looking ahead: the new national insurance Employment Allowance

As announced in the 2013 Budget, a new Employment Allowance of £2,000 per year will be available for businesses and charities from April 2014.

Employers will need to confirm their eligibility through their regular payroll process. This confirmation will ensure that up to £2,000 will be deducted from their employers' NICs liability over the course of the year's PAYE payments.

## Don't miss the tax return deadline!

**The deadline for completing your paper tax return has passed, but there is still time to submit your tax return online and avoid a penalty.**

The deadline for filing your 2013 tax return online is **31 January 2014**. Returns not filed by this date will result in a £100 penalty. Where the return has still not been submitted after three

months, daily penalties of £10 will accrue, continuing for a maximum of 90 days. Further penalties will be payable for prolonged filing failures.

Payments for both paper and online tax returns following the end of the tax year must be received by HMRC by 31 January 2014. There are a few exceptions to this deadline, for example those who have been sent a letter by HMRC to complete a

return after 31 October, but these exceptions are rare. 31 January may also be the date you make your first payment on account towards your tax bill for the next year.

**We can prepare and file your tax return with HMRC, as well as advise you on which payments are due and when you should pay them.**

**31  
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## Tax Round-Up

### New powers for HMRC to access transaction data

HMRC has now been given the authority to access and use data from UK companies who process payments on card transactions.

The authority has been awarded to HMRC, as another measure available, in order for them to clamp down on tax evaders. It is hoped that the information gathered as a result of this new power will help to reduce fraud. HMRC estimates that it could save over £50 million every year.

No personal data will be compromised and card owners and their card numbers will be protected. However, the data gathered will be used to discover how many transactions specific traders make, and the value of these transactions. This data will help to identify those traders who are not accounting for their taxes correctly.

The legislation will permit HMRC to trace back data about card payments from the previous four years.

The first requests for data were made at the beginning of September and thereafter, HMRC will make yearly requests for this information.

### New tax allowance for married couples and civil partners

The Government has confirmed that a new transferable tax allowance will be available for more than four million married couples and civil partners from April 2015.

Under the scheme, eligible spouses and civil partners will be able to transfer £1,000 of their personal income tax allowance to their partner, where one is a basic rate taxpayer and the other earns less than the income tax personal allowance (currently £9,440 2013/14).

The measure is set to come into effect between 2015 and 2016, and will allow the higher earning partner to earn an additional £1,000 before paying income tax, meaning a potential saving of up to £200 a year.

The application for this new allowance can be made online and couples will be entitled to the full benefit in their first year of marriage.

David Cameron pledged to introduce the tax break when he ran for leadership in 2005 and it was also part of the Conservative election manifesto in 2010. He believes that the transfer will particularly benefit couples where one person does not work or works on a part time basis.

However, Labour said Mr Cameron was 'out of touch if he thinks people will get married for £3.85 a week'.

**We can help to minimise your tax bill – please contact us for advice.**

## Tax Tip

Companies liable to corporation tax may be eligible to pay a lower rate of corporation tax on profits associated with their intellectual property, under the Patent Box.

Companies must own or exclusively license-in the patents, and must have undertaken qualifying development on them.

To benefit from the reduced rate of corporation tax, it is necessary to make an election within two years after the end of the accounting period in which relevant profits and income arose. This can be done as part of your Company Tax Return, or separately in writing.



## Reminders for your Winter Diary

### December 2013

- 30 Last day for online submission of 2013 Tax Return for HMRC to collect tax through clients' 2014/15 PAYE code, where they owe less than £3,000.
- 31 Last day for non-EU traders to reclaim recoverable UK VAT suffered in the year to 30 June 2013.  
End of relevant year for taxable distance supplies to UK for VAT registration purposes.  
End of relevant year for cross-border acquisitions of taxable goods in the UK for VAT registration purposes.  
End of CT61 quarterly period.  
Filing date for Company Tax Return Form CT600 for period ended 31 December 2012.

### January 2014

- 1 Due date for payment of Corporation Tax for period ended 31 March 2013.
- 14 Due date for income tax for the CT61 quarter to 31 December 2013.

17/22 Quarter 3 2013/14 PAYE remittance due.

- 31 First self assessment payment on account for 2013/14.  
Capital gains tax payment for 2012/13.  
Balancing payment – 2012/13 income tax/ Class 4 NICs.  
Last day to renew 2013/14 tax credits.  
First payment due date for 2013/14 Class 2 NICs.  
Deadline for amending 2011/12 Tax Return.  
Last day to file the 2013 Tax Return online without incurring penalties.

### February 2014

- 1 £100 penalty if 2013 Tax Return not yet filed online. Additional penalties may apply for further delay. Interest starts to accrue on 2012/13 tax not yet paid.
- 2 Submission date of P46 (Car) for quarter to 5 January.
- 14 Last date (for practical purposes) to request NIC deferment for 2013/14.