

Dear Client,

Welcome to our monthly tax newsletter designed to keep you informed of the latest tax issues.

We hope you enjoy reading the newsletter; remember, we are here to help you so please **contact us** if you need further information on any of the topics covered.

Best wishes

Godley Tax Team

PERSONAL ALLOWANCES

Personal allowances are fixed for 2014/15 at £10,000, the level promised in the Coalition Agreement. However, the Budget announced that there will be a further (above inflation) increase to £10,500 for 2015/16, in line with the allowance currently available to taxpayers aged 65 to 74. Those aged 75 and over will continue to receive a personal allowance of £10,660. Note that if adjusted net income exceeds £100,000, the personal allowance is reduced by £1 for every £2 over £100,000. This gives an effective rate of 60% on income between £100,000 and £120,000 for 2014/15. Contact us for planning advice to avoid this 60% rate.

CAPITAL TAXES

It had already been announced that the CGT annual exempt amount would increase to £11,000 for 2014/15 and £11,100 for 2015/16. With a top CGT rate of 28%, this allowance potentially saves just over £3,000 a year, or £6,000 for a married couple. There has been no change in the inheritance tax nil rate band, which remains at £325,000 until 2018. Please contact us if you wish to discuss capital gains tax and inheritance tax planning, as we can help you take advantage of these valuable allowances.

A NEW ARROW TO COMBAT OFFSHORE TAX EVASION

The UK government is to consult on plans to introduce a new strict liability criminal offence for individuals who hide their “untaxed golden eggs” offshore! HMRC would no longer need to prove that individuals who have undeclared income offshore intended to evade tax, in order for a criminal conviction. This new offence has been outlined.....**to read further.**

CORPORATION TAX REDUCTIONS

From 1 April 2014 to 31 March 2015, the main rate of corporation tax is 21% where a company's profits exceed £1,500,000 (divided by companies under common control). The 20% small profits rate continues to apply to companies with profits up to £300,000 (also divided as above). As previously announced, a single corporation tax rate of 20% will apply from April 2015 whatever your level of profits.

R&D TAX CREDIT RATE INCREASED

Companies that are small and medium sized enterprises (SMEs) carrying out qualifying research and development can currently claim a corporation tax deduction of 225% of their qualifying spend. This means that £100,000 spend would result in a £225,000 reduction in taxable profits, potentially saving £45,000 corporation tax (at 20%). However, if the company is loss making this benefit may not be received until future years when profits are made. In order to improve the cash flow of these loss-making SMEs, the tax rules allow the company to surrender the loss attributable to the enhanced R&D spend for a tax refund. This has been increased from 11% to 14.5% with effect from 1 April 2014. So the £225,000 (based on £100,000 spend) would result in a refund of £32,625. Contact us if you would like to discuss whether your company could qualify for R&D tax relief.

NEW TAX-FREE CHILDCARE SCHEME

This new scheme, which starts in Autumn 2015, was originally announced in 2013 as being worth up to £1,200 per child. It has now been announced that the Government support will be even more generous with the limit being increased to £2,000 per child per year. The parents will be required to open a special childcare account. If for example they pay in £8,000, the Government will top this up to £10,000 (like pension contributions and Gift Aid) which can then be used to pay their childcare provider. It is not just parents who will be able to pay into the childcare account but grandparents and other family members will also be able to contribute to the childcare costs. To qualify, both parents will have to be in work, earning just over an average of £50 a week and not more than £150,000 per year.

Unlike the existing employer-provided childcare voucher scheme which is only available to employees and directors, this new scheme will also be available to the self-employed. Those in existing employer provided schemes have the option of staying in their employer scheme (up to £55 a week free of tax and NIC) or switching to the new scheme. To support newly self-employed parents, the government is introducing a 'start-up' period. During this, self-employed parents won't have to earn the £50 a week minimum income.

It was originally proposed that the new scheme would be phased in, initially only applying to children under 5 and gradually extended to those under 12. It is now proposed that children under 12 will be eligible from the outset. If your circumstances change or you no longer want to pay into the account, you'll be able to withdraw the money you have built up. If you do, the Government will withdraw its corresponding contribution.

INCOME TAX BANDS

The 20% basic rate band is £31,865 for 2014/15 and will be £31,785 for 2015/16. This means that you pay

40% tax if your taxable income exceeds £41,865 for 2014/15 and £42,285 for 2015/16.

The 45% top rate continues to apply to taxable income over £150,000 for 2014/15.

SEED EIS RELIEF TO BE PERMANENT

Seed EIS was introduced in 2012/13 to provide tax relief for individuals investing in small start-up companies and was originally scheduled to end on 5 April 2017. It was announced in the Budget that the generous tax breaks would now be made permanent:

- A 50% tax reducer on up to £100,000 invested each tax year
- A 50p reduction in capital gains made for every £1 qualifying Seed EIS investment

Contact us if you need advice on these and other tax-efficient investments.

TAX DIARY OF MAIN EVENTS

Date	What's Due
30 April	Submission of the ATED tax return & payment of the tax liability for year ended 31 March 2015.
1 May	Corporation tax for year to 31/7/13.
1 May	Daily £10 Penalties for late submission of personal tax return. Up to 90 days maximum of £900.
19 May	PAYE & NIC deductions, and CIS return and tax, for month to 5/5/14 (due 22 May if you pay electronically).

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