

Dear Friends

With the festive period almost upon us, we focus our December newsletter on the tax implications of giving gifts to others.

May we take this opportunity to wish all our clients and contacts a Merry Christmas and Happy New Year.

Best wishes - **Godley Tax Team**



CHRISTMAS IS THE TIME FOR GIVING!

Those thinking about making gifts at Christmas should take advantage of the various inheritance tax (IHT) exemptions and reliefs available to them. Note that certain gifts can also have capital gains tax (CGT) implications.

The Inheritance Tax Annual Exemption - Use It or Lose It!

Although not particularly generous at £3,000 per donor per annum if this annual IHT exemption is not used by 5 April it is lost, although it is possible to carry the allowance forward one year if unused. This means that if the annual allowance for 2017/18 was not used an individual may make gifts of up to £6,000 in 2018/19.

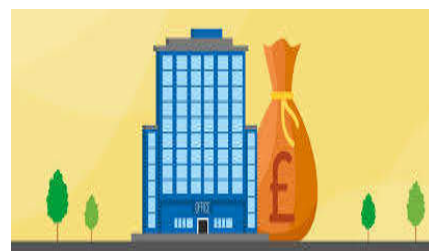
Where the gifts to individuals exceed the annual exemption there may still be no inheritance tax to pay if they survive for 7 years following the gift or the gift falls within the £325,000 nil rate band.

Gifts Out of Income Are Not Taken into Account For IHT

A more generous inheritance tax exemption applies where the donor can prove that he or she is not transferring capital but is making gifts out of their income. There are detailed conditions for this exemption to apply requiring records to be kept of income and expenditure in order to prove that there is sufficient surplus income each year to make regular gifts to the beneficiaries. We can of course assist you in keeping the necessary records to satisfy HMRC.

Certain Gifts Can Have Capital Gains Tax Consequences

Although there will be no CGT on gifts of cash there may be CGT to pay where the gift comprises shares or other assets. This is because the transaction will generally be deemed to take place at market value between connected persons even though no money changes hands.



The amount of the gain would normally be determined by comparing the market value with the original cost of the asset gifted.

Where the amount of this gain is within the annual CGT allowance (currently £11,700) then there would be no CGT payable.

Where the gift comprises shares in a trading company or other business assets it may be possible for donor and recipient to sign an election to hold over the gain so that no CGT is payable by the donor at the time of the gift. The effect of such an election is that the recipient of the asset will take over the donor's original cost for subsequent disposal. Please get in touch with us if you are

considering making gifts of shares or other assets so that we can advise you fully of all the tax implications.



Not All Shares Qualify for CGT Entrepreneurs' Relief Now

As the result of changes announced in the Autumn Budget, and now incorporated into the latest Finance Bill, not all ordinary shares necessarily qualify for the 10% CGT entrepreneurs' relief rate on disposal.

The definition of a personal company was tightened up so that from 29 October the shareholder must have entitlement to at least 5% of the company's ordinary share capital, voting rights, profits available for distribution, and assets available on the winding up of the company.

The shareholder, as before, will also need to be an officer or employee of the company.

This change means that certain "alphabet" and other shares with limited rights may no longer qualify for CGT entrepreneurs' relief when disposed of. As a consequence of this change, we may need to review the rights attaching to the shares that your company has issued and make changes to ensure that the shares qualify.

Gifts of Up To £50 To Employees

From April 2016 new rules were introduced to allow employers to provide their directors and employees with certain "trivial" benefits in kind tax free.

The new rules were brought in as a simplification measure so that certain benefits in kind do not now need to be reported to HMRC as well as being tax free for the employee. There are of course a number of conditions that need to be satisfied to qualify for the exemption.

Conditions for the exemption to apply:

- The cost of providing the benefit does not exceed £50.
- The benefit is not cash or a cash voucher.
- The employee is not entitled to the benefit as part of any contractual obligation such as a salary sacrifice scheme.
- The benefit is not provided in recognition of particular services performed by the employee as part of their employment duties (or in anticipation of such services).

So, this exemption will generally apply to small gifts to staff at Christmas, on their birthday, or other occasions and includes gifts of food, wine, or store vouchers.

Note that where the employer is a "close" company and the benefit is provided to an individual who is a director or other office holder of the company the exemption is capped at a total cost of £300 in the tax year.

Please feel free to contact us if you are considering taking advantage of this exemption.

Gifts to Charity

Where possible higher rate taxpayers should "Gift Aid" any payments to charity to provide additional benefit to the charity and for the individual to obtain additional tax relief on the payment.

For example, where an individual makes a £20 cash donation to charity the charity is able to reclaim a further £5 from HMRC making a gross gift of £25. Where the individual is a 40% higher rate taxpayer, he or she is able to claim a further £5 tax relief under self-assessment, reducing their net cost to £15.



Note that the donor is required to make a declaration that they are a UK taxpayer and those that have not suffered sufficient UK tax to support the Gift Aid amount will be taxed on the shortfall.

Remember that Gift Aid does not just apply to gifts of cash. Many charity shops will now sell your donated items on your behalf and are able to treat the sale proceeds as Gift Aided donations. It is also possible to gift quoted securities and land and buildings to charity and claim Gift Aid on the market value of those assets.

NON-TECHNICAL ARTICLES



BUILDING A SUSTAINABLE BUSINESS

There is a trend towards businesses that seek to be more sustainable.

These firms seek to have a minimal negative impact on the global and local environment, the economy, society and the communities in which they operate.

Sustainable businesses are focused on the long term. They seek to make a positive impact through doing their bit about climate change, recycling, human rights, ethical supply chain management and so on. This is fine if you are a global firm with thousands of staff and vast resources, but how do you create a sustainable small or medium sized business?

Small and medium sized business owners are starting to recognise that consumers and clients respond favourably to companies that place value on people and the planet, as well as profits. For example, millennials won't just buy anything. They seek to buy products and services that come from businesses that are seen as authentic, that make a meaningful and positive impact and that are linked to important causes.

Small and medium sized businesses can tap into this by getting involved in corporate social responsibility (CSR), charity work, buying from fair-trade or ethical suppliers, hiring a more diverse workforce and so forth.

For example, if your firm uses lots of packaging then you can start to make a positive impact by only using recycled / recyclable packaging. You can promote this fact in your marketing materials, corporate communications, website and so forth so that people know that you are making a positive impact.

TEAM NEWS



START UP CLINIC AT THE LSE

On 4 November Yogesh hosted a Start-Up Clinic for budding Entrepreneurs at the London School of Economics. He focussed on what is the optimal business structure, how to fund the business and also explained various tax reliefs.

Yogesh said 'Many of the entrepreneurs present were extremely surprised about the generous tax schemes/relief available in the UK, in particular the Seed Enterprise Investment Scheme and Research & Development Tax Credits'

XEROCON 2018

In November, the team attended Xerocon, one of Europe's largest and most innovative cloud accounting and technology conferences for Accountants.

It opened our eyes to the opportunities in the digital environment. The conference helped us continue to embrace new technologies to improve services and build better relationships with clients.



**XEROCON
LONDON 2018**



NEW JOINER TO THE TEAM

We also welcome Thushari Delgahagoda to our team, who joined us recently.

Thushari has a wealth of accounts and tax compliance experience.

TAX DIARY OF MAIN EVENTS FOR DECEMBER 2018 / JANUARY 2019

- 1 December - Corporation tax payment for year to 28 February 2018 unless quarterly instalments apply.
- 1 December – New Advisory Fuel Rates (AFR) for company car users apply from today.
- 19 December - PAYE & NIC deductions, and CIS return and tax, for month to 5 December 2018 (due 22 December if you pay electronically).
- 30 December – Deadline for filing 2017/18 tax return online in order to request that HMRC collect outstanding tax via the 2019/20 PAYE code.
- 31 December – End of CT61 quarterly period.
- 31 December – Filing date for Company Tax Return Form CT600 for period ended 31 December 2017.
- 1 January - Corporation tax payment for year to 31 March 2018 unless quarterly instalments apply.
- 19 January - PAYE & NIC deductions, and CIS return and tax, for month to 5 January 2019 (due 22 January if you pay electronically).
- 31 January – Deadline for filing 2017/18 tax return online and paying your outstanding tax for 2017/18.



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