Dear Friends

Following the recent Royal wedding, this month we focus on the tax related pros and cons of being married or in a civil partnership.

We hope you enjoy reading this month's newsletter. Please note under GDPR, this will be the last time you will receive this newsletter unless you re-register **here**.

Best wishes - **Godley Tax Team**

TYING THE KNOT – THE TAX PROS AND CONS!

There are various tax benefits of married couples both in life and death. We list some of the main pros and one disadvantage below:

Capital Gains Tax Reduction

Generally, when selling an asset, an individual can realise gains up to £11,700 (tax year 2018-19) before a tax charge arises.

If you are married or in a civil partnership, you can utilise both your annual capital gains tax allowances (combined total £23,400) by transferring part of the asset and then selling to a third party. In addition, if your spouse/civil partner is on a lower income tax band than you, you may want to consider transferring a larger proportion of the asset to benefit from a lower capital gains tax rate.

Inheritance Tax

Some of the biggest tax benefits to married couples/civil partnerships happens, unfortunately, when one of the couples dies.

Assets above £325,000 passed between cohabiting but unmarried couples on death may be subject to a 40% inheritance tax charge, but a deceased spouse or civil partner can pass an estate of any worth to the surviving spouse without any immediate tax consequences (apart from certain non-domicile situations). The surviving spouse can also inherit their spouse's unused nil rate band, which could provide a nil rate band of up to £650,000. This could be higher given the new main residence nil-rate band.

ISAs after death

On death of a spouse or civil partner, ISAs can be transferred (subject to certain time limits) while still retaining their tax-free status. This would not be available for unmarried couples.

Gifting

If you gift money and/or assets within your lifetime and your death occurs within seven years of that gift, there may be a liability to IHT. However, gifting to your spouse/civil partner would be exempt and would not utilise the nil-rate band (apart from some non-domiciles).

Pensions

Generally when a spouse or civil partner dies before their 75, the surviving spouse will receive the pension pot tax free. However, co-habiting partners or unmarried couples miss out on their partners pension entitlements.

Married Couples Allowance

The Marriage Allowance allows an individual earning less than the personal allowance (currently £11,850) to transfer 10% of their allowance to their husband, wife or civil partner. The person receiving the additional allowance must be a basic rate taxpayer earning between £11,851 and £46,250. This boosts the receiving partner's personal allowance, meaning they can earn more before they start to pay tax.

Stamp Duty

A major, more recent downside, of being married or in a civil partnership is in relation to Stamp duty land tax. When one of the married/civil partners already owns a property, both individuals could be liable for the extra 3% stamp duty surcharge if they buy a house together.

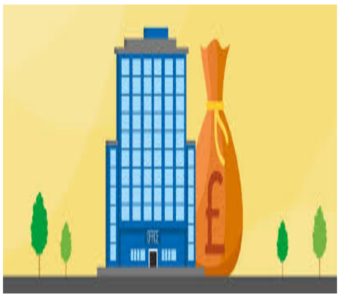
BREXIT CAUSES HMRC TO DELAY MAKING TAX DIGITAL FOR INDIVIDUALS

HMRC have delayed the full roll-out of Making Tax Digital (MTD) while the UK prepares to leave the EU in 2019.

MTD for individuals was scheduled to take effect from 2020, however the government have revealed that the plans have been put on hold to allow HMRC to focus on the UK's Brexit preparations.

However, MTD for VAT is still set to take effect from April 2019 as previously planned. From this time, businesses with a turnover above the VAT registration threshold (currently £85,000) will be required to keep digital records for VAT purposes and submit VAT returns using MTD functional compatible software.

For further information see our article **here**.



CGT TO BE PAID EARLIER ON PROPERTY DISPOSALS IN 2020

HMRC are consulting on the mechanism for collecting CGT on residential property disposals from April 2020, when the tax will be due within 30 days of completion.

This will be instead of the normal payment date of 31 January following the end of the tax year and is yet another attack on buy to let landlords!

ENTERPRISE MANAGEMENT INCENTIVE (EMI) –APPROVAL UPDATE

Enterprise Management Incentive ('EMI') share options provide tax benefits to certain employers, and as such, this has always required EU state aid approval.

We recently informed you that the approval for state aid had expired on 6 April 2018.

On 15 May 2018, the European Commission published a daily news update confirming that it has approved the extension of the scheme and the case formally appeared in the state aid register on 16 May 2018.

COMPANY CAR TAX RISES TAKE EFFECT

The company car has continued to be an important benefit for many employees, despite increases in the taxable benefit rates in recent years.

However, April 2018 saw the introduction of further changes affecting employer-provided cars, which could have a significant impact on your business motoring costs.

Benefit-in-kind rates

Company cars are essentially taxed as a benefit-in-kind (BiK) by multiplying the list price of the car (including most accessories) by the ‘appropriate percentage’. This is set by reference to the car’s fuel type and level of CO_2 emissions.

In 2017/18, a reduced BiK rate of 9% applied for vehicles emitting no more than 50 g/km of CO_2, but from April 2018 these rates have started to increase significantly.

Cars with CO_2 emissions of 0-50 g/km are now liable to a rate of 13%, with similar rises applying to cars with higher levels of emissions.

Diesel cars

April 2018 also saw an increase in the additional diesel car supplement, which has risen from 3% to 4%. The maximum cap of 37% still applies (unless the car is registered on or after 1 September 2017 and meets the Euro 6d emissions standard).

Capital allowances

Changes have also been made to the tax relief for business expenditure incurred on or after 1 April 2018. The 100% first year allowance for expenditure on cars now applies where emissions are less than 50 g/km, reduced from the previous level of 75 g/km. In addition, the limit for attracting an 18% writing down allowance has fallen from 130 g/km to 110 g/km.

Electric charging points

There is perhaps more welcome news for those employers providing charging points for electric or hybrid cars, as HMRC intends to exempt employer-provided electricity from being taxed as a BiK, to apply retrospectively from 6 April 2018.

Further changes to company cars are due to take effect in 2019 and beyond, including additional increases in the BiK rates and the introduction of a new range of bands for ultra-low emission vehicles (ULEVs).

We can help you to plan ahead and decide on the most tax-efficient option for your business motoring needs.

For more information, including the latest tax rates, visit the **Tax Strategies** area of our website.

CHANGES TO TERMINATION PAYMENTS

Care is always required when employees are made redundant or payments are made on the termination of employment. Not only are there employment law considerations, there are also important tax implications. The tax treatment of these payments changed from 6 April 2018 and further changes come into effect in 2019.

Pay In Lieu of Notice

Employers now need to pay Income Tax and Class 1 National Insurance Contributions (NICs) on an element of all termination payments from 6 April 2018, whether or not they are contractual payments. The element that is now chargeable to Income Tax and NICs is the amount of the termination payment that represents payment in lieu of notice (PILON), sometimes referred to as “garden leave”.

Ex-gratia Payments

The first £30,000 of genuine ex-gratia continues to be exempt from income tax and national insurance. The £30,000 limit includes statutory redundancy payments. Payments in excess of £30,000 are taxed as employment but there is currently no NIC on such payments. However, employer NICs on termination payments above £30,000 will now take effect from 6 April 2019.

TAKING A LODGER? DON’T FORGET TO CLAIM “RENT A ROOM” RELIEF

HMRC are carrying out a review of rent a room relief to discover whether the scheme, introduced back in 1992 provides the right incentives for the rental market. The current scheme exempts from tax, gross rents up to £7,500 where rooms within the taxpayer’s main residence are rented out.

Note also that the current scheme only provides relief where the rooms let are in the taxpayer’s main residence and if the property is jointly owned, the relief would be £3,750 each. Where the lettings are in another property, the new £1,000 property allowance could be set against the gross rental income, however this allowance applies to each taxpayer.

TAX DIARY OF MAIN EVENTS FOR MAY/JUNE 2018

- 1 May - Corporation tax payment for year to 31 July 2017 (unless quarterly instalments apply).
- 3 May - Deadline for submitting P46(Car) for employees whose car/fuel benefits changes during the quarter to 5 April 2018.
- 19 May - PAYE & NIC deductions, and CIS return and tax, for month to 5 May 2018 (due 22 May if you pay electronically).
- 1 June - Corporation tax payment for year to 31 August 2017 (unless quarterly instalments apply).
- 19 June - PAYE & NIC deductions, and CIS return and tax, for month to 5 June 2018 (due 22 June if you pay electronically).

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