

Dear Friend

Now that the bitterly fought American presidential election is over, we watch with interest as President-elect Donald Trump's new polices and their ripple effect.

While on this side of the Atlantic anticipation grows as the Chancellor of Exchequer plans to deliver his first Autumn Statement on Wednesday 23rd November.

Bonne lecture!!!

Godley [Tax Team](#)



CHRISTMAS IS COMING! - NEW RULES FOR GIFTS TO STAFF

From 6 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 are a simplification measure so that certain benefits in kind will not 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 or on their birthday.

Prior to this change in the rules, the benefit in kind would have had to be reported on the employee's P11D form at the end of the year, or alternatively the employer would have dealt with the tax and national insurance under a PAYE settlement agreement. Under such an arrangement a £50 Christmas turkey to a higher rate taxpayer could end up costing the employer nearly £95!

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 new exemption.

SPLITTING THE INCOME OF MARRIED COUPLES

Where a married couple hold savings accounts and other investments in joint names, the income from those investments is split 50:50 for tax purposes, unless there is an election to allocate the income in accordance with their beneficial interests. This is particularly important where the couples' marginal tax rates are different now that there are different personal savings allowances.

Where the husband pays tax at 40% and the wife is only a 20% basic rate taxpayer, there can be significant tax savings.

HMRC need to be notified that the split of income is other than 50:50 and we can of



course help you complete the appropriate forms.

Note that in the case of buy to let properties the election can only be made where the property is owned as “tenants in common” and you may need to get your solicitor to check the ownership position.

DON'T MISS OUT ON TAX RELIEF ON R&D

The government is concerned that many small companies are missing out on generous R&D tax credits. For the last year HMRC have been offering companies an advance assurance scheme to check whether or not their activities qualify before they make a claim. So far over 200 applications for advance assurance have been made.

There is a general misconception that R&D involves scientists in white coats but it should be remembered that R&D may be necessary to resolve a problem with a product or a process.

So, some of the work by your engineers or technical staff may qualify as R&D. For Small and Medium-sized Enterprises (SMEs) the tax credit is 230% of the expenditure on qualifying R&D, and where the company incurs a trading loss, HMRC will provide an immediate cash refund rather than waiting until there is a profit in a future period.

By applying for advance assurance the company's R&D claim will not be subject to an HMRC enquiry and HMRC will then accept the first three years of claim.

Companies eligible to apply for advance assurance:

- turnover below £2m
- fewer than 50 employees

- no previous R&D claims

Then claim “patent box” in respect of your innovation

If the R&D results in a product or process that can be patented there is a further tax break available. The “Patent Box”, introduced in 2013, will provide a 10% rate of tax on profits derived from that product or process.

Please contact us if you would like to discuss whether these generous tax breaks could be available to your company.



OFFSHORE PENALTIES STACKING UP

For “offshore matters”, HMRC can charge penalties between 100% and 200% of the tax depending on the Category within which the territory falls in. This territory would be where the income and gains arose. The categories have been set in accordance with the level of information exchange taking place between the territory and UK.

Category 1

These are territories that have agreed to exchange information with HMRC automatically. The maximum penalty is 100% of the tax.

Category 2

These are territories that will exchange information with HMRC but only if we ask them to. The maximum penalty is 150% of the tax.

Category 3

These are territories that haven’t agreed to share information with HMRC. The maximum penalty is 200% of the tax.

An individual or a company may need to consider their position if there is an inaccuracy, failure to notify or deliberate withholding information from HMRC relating to:

- Income arising from a source in a territory outside the United Kingdom
- Assets situated or held in a territory outside the United Kingdom
- Activities carried on wholly or mainly in a territory outside the United Kingdom

And the above actions result in a potential loss of revenue or a loss of liability that would have been shown on a person’s tax return. If you are not sure whether or not you need to disclose your non-UK income on your tax return please speak to your contact person at our offices or [Viral Haria](#).



TAX DIARY OF MAIN EVENTS FOR NOVEMBER/DECEMBER 2016

- 1 November - Corporation tax for year to 31/01/16
- 19 November - PAYE & NIC deductions, and CIS return and tax, for month to 5/11/16 (due 22/11 if you pay electronically)
- 1 December - Corporation tax for year to 30/11/16
- 19 December - PAYE & NIC deductions, and CIS return and tax, for month to 5/11/16 (due 22/12 if you pay electronically)
- 30 December - Deadline for filing 2015/16 tax return online in order to request that HMRC collect outstanding tax via the 2016/17 PAYE code



ONLINE TAX RETURNS DEADLINE
31 JANUARY 2017

78 Days Left

TAX YEAR ENDS ON THE 5TH
APRIL 2017

142 Days Left

📍 Congress House 14 Lyon Road Harrow Middlesex HA1 2EN
☎ 020 8515 1234 ✉ tax@godley.co.uk 📠 020 8515 1235 🌐 www.godley.co.uk

Serving clients' best
interests since **1985**



Godley & Co is the trading name of Godley & Co Ltd. Registered in England No: 8446580 Registered Office: Congress House, 14 Lyon Road, Harrow, Middlesex, HA1 2EN.
Managing Director: Vipool Shah. Registered to carry on audit work in the UK and regulated for a range of business activities by the Institute of Chartered Accountants in England and Wales.

This publication is intended to be a general guide and cannot be a substitute for professional advice. Neither the authors nor Godley & Co Ltd accept any responsibility for loss occasioned to any person acting or refraining from acting as a result of material contained in this publication.