Tax Newsletter – February 2017

This month's newsletter includes articles covering: help with consequences of storm damage, directors' responsibilities to keep proper records, issues to consider if investing in plant or other equipment, and a warning not to respond to internet phishing.

We are delighted to announce the introduction of a new Tax Partner to Ellacotts. Ann Bibby will be joining us at the beginning of February to specialise in the areas of corporate, employment, and business tax along with associated tax solutions. Ann's appointment is due to the continued growth of the firm and the increased need for complex strategic tax advice, both for businesses and individuals.

Ann is a Chartered Tax Adviser, qualified accountant and a member of the Society of Trust and Estate Practitioners. Ann brings with her over 20 years of experience and most recently has been leading the tax department in a large firm of solicitors.

Storm damage

Costs that businesses incur to clean up after the recent storms, that affected the north and east coasts in particular, need to meet the usual qualifying criteria that they are incurred "wholly and exclusively" for business purposes in order to be a legitimate write-off for tax purposes.

If the costs are covered by insurance, no tax relief would be due. If costs are discovered to be partially covered by insurance, then only the unrecovered costs would be allowable for tax purposes.

If you have extended your business cover to include loss of profits, you can hopefully recover not only the direct costs of cleaning up but also any profits lost due to the disruption.

There are also a number of tax based risks that are not insured, but directly due to the consequences of being unable to trade after a bad weather incident. For example:

- Facing fines due to late filing of Income Tax, Corporation Tax or VAT returns;
- Loss of business accounting records;
- Adverse cash flow, unable to meet tax payments on-time.

HMRC has recently opened a new help line to assist with these consequential tax effects. They would help to:

- agree instalment arrangements where taxpayers are unable to pay as a result of severe weather or flooding
- agree a practical approach when individuals and businesses have lost vital records as a result of severe weather or flooding
- suspend debt collection proceedings for those affected by severe weather or flooding
- cancel penalties when the taxpayer has missed statutory deadlines

The helpline is 0800 904 7900. The line is open seven days a week: Monday to Friday 8am to 8pm, and weekends 8am to 4pm. The line will not be open bank holidays.

Considering investing in plant or equipment?

Business owners may be considering their options for investment in new equipment especially if their trading year end is March, as is often the case. There are a number of considerations:

1. Cash flow, can the business afford the cost or fund loan or other financing arrangements?
2. Will the new equipment make a positive impact to the bottom line?
3. What are the tax breaks?

Points one and two can be accommodated by revising business plans, including cash flow budgets.

The major tax break for qualifying equipment purchases is the Annual Investment Allowance (AIA).

Assets that qualify for AIA include:

- Motorcycles, lorries, trucks and vans.
- Equipment that you buy to use in your business, plant, computer and office equipment etc.

You can't claim AIA on the purchase of cars, items that have been gifted to your business and items you owned for another reason before you started using them in your business.

From 1 January 2016, the maximum value of capital purchases that you can write off in any period of account is £200,000.

This remains a very generous investment allowance for smaller businesses. Sole traders and partners who are taxed on their business profits at higher rates (40% or 45%) will be eligible to claim a maximum tax reduction of up to £80,000 (at 40%) or £90,000 (at 45%) against their taxable income.

Planning for all of these issues needs to be carefully considered. Apart from the issues we have outlined above, the timing of transactions can also be critical. We would be happy to assist. Professional advice is well worth the further investment as the benefits of a well thought out strategy will help you maximise, not only the tax relief available, but also the practical benefits of your new acquisition.

Director disqualified for seven years

Directors have a responsibility to maintain, preserve and deliver records that are adequate to explain the financial position of their company. If they fail to do so, they run the risk of being disqualified from acting as a director.

In a recent Insolvency Service investigation, a director was banned for seven years. His transgressions are illuminating. They included:

- He was unable to explain payments taken for his personal benefit amounting to £35,500.
- He was unable to explain the reasons for 83 cheque payments totalling £30,734.
- He authorised payments of almost £100,000 that were made when the company was insolvent, or caused it to become insolvent.

A disqualification order has the effect that without specific permission of a court, a person with a disqualification cannot:

- act as a director of a company
- take part, directly or indirectly, in the promotion, formation or management of a company or limited liability partnership
- be a receiver of a company's property

Beware internet "phishers"

The end of January, Self Assessment filing deadline, and the approaching tax year end seem to stimulate fraudulent activity focussing on tax issues.

In particular, increasingly convincing attempts are made to get tax payers to part with their personal bank details or other personal information for nefarious purposes.

HMRC will never ask for your personal details, particularly your bank or credit card information, by email. Accordingly, if you receive an email requesting this sort of data do not respond.

On their website HMRC confirms that they will never use texts or emails to:

- tell you about a tax rebate or penalty
- ask for personal or payment information

They also advise that you should forward suspicious text messages to 60599 or forward suspicious emails to HMRC's phishing team at phishing@hmrc.gsi.gov.uk.

Tax Diary February/March 2017

1 February 2017 - Due date for Corporation Tax payable for the year ended 30 April 2016.

19 February 2017 - PAYE and NIC deductions due for month ended 5 February 2017. (If you pay your tax electronically the due date is 22 February 2017.)

19 February 2017 - Filing deadline for the CIS300 monthly return for the month ended 5 February 2017.

19 February 2017 - CIS tax deducted for the month ended 5 February 2017 is payable by today.

1 March 2017 - Due date for Corporation Tax due for the year ended 31 May 2016.

2 March 2017 – Self Assessment tax for 2015/16 paid after this date will incur a 5% surcharge.

19 March 2017 - PAYE and NIC deductions due for month ended 5 March 2017. (If you pay your tax electronically the due date is 22 March 2017.)

19 March 2017 - Filing deadline for the CIS300 monthly return for the month ended 5 March 2017.

19 March 2017 - CIS tax deducted for the month ended 5 March 2017 is payable by today