Viewpoint Accountants

TAX NEWSLETTER

Edition 86 - October 2017

Welcome to the October monthly tax newsletter. These newsletters are 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.

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ARE SPOUSES WAGES FULLY DEDUCTIBLE?

HMRC have recently won a tax tribunal case where they were seeking to challenge the deduction for a wife's wages in arriving at the profits of her husband's business. The judge agreed with HMRC that the amount allowed as a deduction should be limited based on the hours spent and appropriate rate for the work done.

The general principle here is that the expense must be incurred wholly and exclusively for the purpose of the trade. Traditionally when the personal allowance was fairly low (e.g. £6,475 in 2010) it was quite easy to justify the wages paid to the spouse at around that level. However, there have been significant increases in the personal allowance in recent years to £11,500 in the current tax year and it is important that wages paid to the spouse can be justified.

WHEN IS A COMPANY VAN NOT A VAN?

The P11d benefits on company vans are generally much lower than company cars and where private use of the van is merely incidental to its business use by the employee, then there is no taxable benefit at all. But when is a van not a van?

In a recent tax tribunal case, the judge agreed that a VW Kombi van that had been converted so that it had two rows of seats for passengers was a company car not a van.

Under the employee benefit rules, a van is a vehicle where its primary construction is for the conveyance of goods or burden. Kombi vans and those similar have not previously been thought to fall into this category due to them being designed to carry both goods and people. Historically, HMRC has offered a concession from 2002/2003 onwards for vehicles of a very similar construction, double cab pickups (including both uncovered and covered models), if the payload capacity of the pickup exceeds a metric tonne. HMRC accepts that these vehicles can be treated as a van for benefit in kind purposes. The judge decided that the primary construction of the kombi van was not for the conveyance of goods alone but rather that its purpose was for the conveyance of both goods and people equally. This means that the Kombi did not meet the requirement to be considered to be a van and therefore for benefit in kind purposes it was a car. The same judge however decided that Vauxhall Vivaro vans converted so that they had two rows of seats were vans!

Similar rules apply for VAT purposes so contact us first if you want to check the correct tax treatment of the vehicle you are planning to buy.

MUST OWN 5% OF ORDINARY SHARES TO QUALIFY FOR CGT ENTREPRENEURS RELIEF

In order for a shareholder to qualify for CGT entrepreneurs relief on the disposal of their shares, they must be an officer or employee of the company (or group) and hold 5% or more of the company's ordinary share capital and voting rights for 12 months prior to the disposal. The company must also be a trading company or the holding company of a trading group throughout the same 12 month period.

In a recent tax case, the judge agreed with HMRC that in determining whether or not the shareholders held the required 5% of the ordinary share capital, all of the company's shares should be considered except those with a fixed rate of dividend (preference shares). A lower court had previously decided that shares with no entitlement to dividends and voting rights could be disregarded.

ADVISORY FUEL RATE FOR COMPANY CARS

These are the suggested reimbursement rates for employees' private mileage using their company car from 1 September 2017.

Where there has been a change the previous rate is shown in brackets.

Engine Size	Petrol	Diesel	LPG
1400cc or less	11p		7p
1600cc or less		9p	
1401cc to 2000cc	13p (14p)		8p (9p)
1601 to 2000cc		11p	
Over 2000cc	12p	12p (13p)	13p (14p)

You can continue to use the previous rates for up to 1 month from the date the new rates apply.

RECLAIMING FOREIGN VAT ON EXPENSES

If your business has suffered VAT on expenses incurred in another EU country, for example overseas hotel and restaurant bills, then it is possible to reclaim the foreign VAT.

The foreign VAT must not however be reclaimed on the UK VAT return but by using HMRC 's VAT online services system.

The foreign VAT refund claims can be made either quarterly or annually but there is a de-minimis amount that may be reclaimed quarterly.

The conditions for being able to reclaim the foreign VAT are that the business must:

- be VAT registered in the UK
- not be registered for VAT in the EU country nor have a place of business there
- not make supplies of goods or services in that EU country, except for transport services

We can assist with your refund claims if this applies to your business.

THERE MAY BE MORE TAX TO PAY ON YOUR DIVIDENDS IN JANUARY

The rules for taxing dividends changed radically from 6 April 2016 with the removal of the 10% notional tax credit and the introduction of new rates of tax on dividends. For many taxpayers there will be more tax to pay on those dividends on 31 January 2018.

Up until 5 April 2016, the 10% dividend credit meant that basic rate taxpayers paid no tax at all on dividend income as the 10% tax on dividends was covered by the 10% tax credit. For example, where a basic rate taxpayer received £9,000 dividends, this would be treated as £10,000 gross income but the 10% tax of £1,000 would be covered by the £1,000 tax credit. From 6 April 2016 the same £9,000 dividend would now be taxed at 7.5% once the £5,000 dividend allowance has been used making £300 tax due on 31 January.

Where dividends are received by a higher rate taxpayer, the loss of the 10% tax credit means that the full 32.5% rate applies to dividends in excess of the £5,000 allowance.

Thus, if a higher rate taxpayer received £30,000 of dividends, £25,000 of those dividends would be taxed at 32.5% meaning £8,125 due on 31 January 2018. Last year the tax on the same dividends would have been £7,500 after deducting tax credits.

If you can let us have all of your tax documents as soon as possible, we can let you know how much tax you need to pay next January so that you can set aside sufficient funds.

DIARY OF MAIN TAX EVENTS

DATE	WHAT'S DUE
1st Oct	Corporation tax for year to 31/12/16. *(unless quarterly payments apply)*
5th Oct	Deadline for notifying HMRC of chargeability for 2016/17 if not within Self-Assessment and receive income or gains on which tax is due.
19th Oct	PAYE & NIC deductions, and CIS return and tax, for month to 05/10/17. *(due 22/10/17 if you pay electronically)*
1st Nov	Corporation tax for year to 31/01/17. *(unless quarterly payments apply)*
19th Nov	PAYE & NIC deductions, and CIS return and tax, for month to 05/11/17. *(due 22/11/17 if you pay electronically)*

FURTHER INFORMATION OR ADVICE

If you would like further information or advice about any of the issues raised in this newsletter or any other tax-related matter then **Steve Bird** would be delighted to hear from you.

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