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Newsletter October 2012

This month we have included articles that outline the benefits of the new Seed Enterprise Investment Scheme, a reminder of the tax savings that can be achieved from charitable giving, details of the revised car advisory fuel rates from 1 September 2012, and finally, details of changes to the National Minimum Wage rates from 1 October 2012.

Our next newsletter will be published 1 November 2012.

News from Whitefield

Its been a busy month at Brading.

Our building work is now finished - phase 1, the office, was finished before we moved at the end of June. Phase 2, the store and loo completed at the end of July, and now phase 3, landscaping of the office area, is complete. We also have signage!

Our phones seem to have stabilised, although we have a £7,000 compensation claim in with BT. We now have DDI numbers for key staff and associates:

Susan - 01983 618922
Julie - 01983 618920

Other staff can be contacted through our main office, 09183 614108, normally 9-3 Monday to Thursday and 9 to 1 Friday. However, the number isn't always staffed, eg during staff holiday or our team meetings - we always try and put a note on our website if this is the case.

During this month Wendy, who joined us as an associate in July, has had to step down due to illness. MaryAnn, who used to work for us at New Road until a few years ago, has joined the team as a associate, although she was then signed off for two weeks - we're glad to have her back, and healthy now! Completing a rather sickly set of staff, Jess, our MD, fell down the stairs the week before last and, after reconstructive surgery on her foot, is now in plaster for six weeks and sofa bound!

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Recent news from our website

Recent articles on our website include:

Contributed: VAT Changes from 1 October 2012
Contributed: Invoice fraud on the rise
HMRC Payroll Bulletin - Real Time Information
Contributed: Taxed to Death
New Guidance: Loans between a Company and its Directors / Shareholders
Managed Service Companies, Umbrellas and Composites - updated guidance
DDI numbers

http://www.whitefieldtax.com/web/news-and-comment/ - for these and more

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Keeping in touch

Its worth keeping an eye on www.whitefieldtax.com for latest news, and also updates, including service issues like our phones not being staffed eg our monthly team meeting.

You can follow our website with a RSS feed: http://www.whitefieldtax.com/web/feed/ or keep in touch via Facebook and Twitter:

http://www.facebook.com/WhitefieldTax

https://twitter.com/WhitefieldTax

Also feedback is welcome on the dedicated feedback section of our website.

If you have a website for your business, and would like to do a link exchange, let us know and we can reciprocate.

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Telling your friends

Just a reminder that our doors are open, and we welcome referrals to colleauges and associates who you think would benefit from our care and attention.

For our PSC clients, our £50 referral thank you scheme is still in operation!

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Seed Enterprise Investment Scheme (SEIS)

Investors in higher-risk smaller companies have benefitted for a number of years from the Enterprise Investment Scheme (EIS). The new SEIS is targeted to provide funding for early stage companies who may find it difficult to raise seed capital. Recognising these needs, the SEIS scheme also offers investors higher tax breaks than the existing EIS. The SEIS applies to shares issued on or after 6 April 2012.

The following tax reliefs are available to qualifying investors:

Income Tax

- Relief is available to individuals who subscribe for qualifying shares in a company that meets the SEIS requirements.
- Investors need to have a UK tax liability against which the relief can be set.
- Relief is available at 50% of the cost of the shares on a maximum annual investment of £100,000.
- Relief is limited to the total tax liability of an investor in a year of assessment.
- Surplus relief can be carried back to a previous year but no relief can be carried back prior to 2012-13, the first year that SEIS applies.

Capital Gains Tax (CGT) – reinvestment relief

If chargeable gains arise for an individual in the tax year 2012-13 they can be reinvested in the SEIS scheme and the amount reinvested will be exempt from any CGT charge. The £100,000 SEIS investment limit and the carry-back facility also apply to this relief in exactly the same way as income relief.

The chargeable asset does not need to be disposed of first. As long as the CGT disposal and SEIS investment occur in the tax year 2012-13, reinvestment relief can be claimed.

Individuals who pay Income Tax at the highest rates can potentially claim a 78% tax break from claiming SEIS and the associated CGT reinvestment reliefs for 2012-13.

Capital Gains Tax (CGT) – disposal relief

Individuals who have claimed Income Tax relief on an SEIS investment, and the shares are kept for at least three years, will be exempt from CGT on any gain on disposal.

Note that if an investor did not claim Income Tax relief on the original investment, then any gain on subsequent disposal at any time will be subject to CGT.

Investment requirements

One of the key investment requirements is that shares to be included in SEIS must be paid up in full, and in cash, when they are issued. Others are that the stake is less than 30% and the investor is not a employee (although they can be a director).

According to HMRC, one of the most common reasons that an SEIS claim is refused is where investors take up subscriber shares when a company is set up, but before the company has banking arrangements in place to accept payment.

There are also a number of other "qualifying" criteria that need to be met. It is not possible to outline them all in this short article. Please contact us if you would like to explore this investment opportunity for your company.

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Charitable giving - the tax breaks

After much intense lobbying by the charity sector, the Chancellor's attempt to cap tax relief on charitable giving (Budget 2012) was withdrawn.

Major donors to charities are obviously moved to philanthropy by considerations other than the amount of tax they can save, although they will want to make their donations in the most tax efficient way. Here is a roundup of some of the tax considerations to be considered.

- To qualify for relief, cash donations need to be paid out of taxed income. Accordingly, charities can recover the 20% basic rate tax deemed to have been paid by the donor, thus increasing the cash value of the donation significantly.
- 40% or 50% rate tax payers can claim an additional 20% or 30% tax relief on qualifying donations.

A gift can be made by way of an outright gift of a qualifying investment or land. In this case the Gift Aid rules set out above do not apply and the reliefs available are as follows:

Income Tax consequences:

- The donor can claim Income Tax relief based on the market value of the investment or land on the date of the gift, or
- If the donor sells the investment or land to the charity at less than market value. Income Tax relief is normally available on the difference between the sale price and the market value when the sale is completed.
- In each case the relief is given by deducting the relevant value from income.

Capital Gains Tax consequences:

- In the case of an outright gift, no chargeable gain will arise.
- In the case of a sale at less than current market value, CGT will only be payable if the amount received from the charity is more than the base cost of the asset for CGT purposes.

Carry back bonus

It is still possible to carry back Gift Aid donations made in a current tax year to the previous tax year. The over-riding condition is that any election to make the carry back must be made prior to the tax return being submitted for the relevant year. For example, if a tax payer wanted to carry back a donation, made during the tax year 2012-13 to 2011-12, they would need to make the election prior to submitting their tax return for 2013.

In this way, higher rate tax payers are given an extended opportunity to maximise the tax effectiveness of charitable donations. If the additional rate of Income Tax is reduced next April to 45%, 50% rate, tax payers in this tax year (2012-13) may want to consider carrying back charitable donations made 2013-14 to the previous tax year to reduce liability at the higher rate.

Carry back does not apply to a gift of investments or land.

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Revised fuel rates

New advisory fuel rates have been issued by HMRC that took effect from 1 September 2012.
They are:

Engine size: Petrol; LPG

1400cc or less: 15p; 10p
1401cc to 2000cc: 18p; 12p
Over 2000cc: 26p; 17p

Engine size: Diesel

1600cc or less: 12p
1601cc to 2000cc: 15p
Over 2000cc: 18p

Employers please note that employees can only avoid the car fuel benefit charge if the amount they repay in respect of private fuel at least equals the amounts based on these and previous published fuel rates.

Petrol hybrid cars are treated as petrol cars for this purpose. The figures can also be used to reclaim VAT input tax on the fuel element of car mileage payments although businesses will also need to retain fuel receipts.

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National Minimum Wage (NMW) changes

New rates came into force on 1 October 2012 and are:

- £6.19 per hour for workers aged 21 and over - a rise of 11p
- £4.98 per hour for 18-20 year olds - no change
- £3.68 per hour for workers above school leaving age but under 18 - no change
- £2.65 per hour for apprentices - a rise of 5p

If your employer provides you with accommodation, they can count some of its value towards your NMW pay. This is called the accommodation offset. From October, the maximum that employers can count towards NMW pay will be £4.82 - a rise of 9p.

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Tax Diary Oct/Nov 2012

1 October 2012 - Due date for Corporation Tax due for the year ended 31 December 2011.

19 October 2012 - PAYE and NIC deductions due for month ended 5 October 2012. (If you pay your tax electronically the due date is 22 October 2012.)

19 October 2012 - Filing deadline for the CIS300 monthly return for the month ended 5 October 2012.

19 October 2012 - CIS tax deducted for the month ended 5 October 2012 is payable by today.

31 October 2012 – Latest date you can file a paper copy of your 2012 Self Assessment tax return.

1 November 2012 - Due date for Corporation Tax due for the year ended 31 January 2012.

19 November 2012 - PAYE and NIC deductions due for month ended 5 November 2012. (If you pay your tax electronically the due date is 22 November 2012.)

19 November 2012 - Filing deadline for the CIS300 monthly return for the month ended 5 November 2012.

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