TAKE ACCOUNT

Welcome to the latest edition of our newsletter, which we hope will be of interest.

CGT ON SALE OF RESIDENTIAL PROPERTY

Next April will see two major changes to the Capital Gains Tax (CGT) regime applicable to private residences. Currently, if a property has been a taxpayer's only or main residence in the past, the gain relating to the last 18 months of ownership is exempt, irrespective of how the property is used during this period. This 'final period exemption' will be reduced to just **9 months** for sales completed after 5 April 2020. (The existing 36 month final period exemption for those who are disabled or in a care home will continue). Lettings relief will also be restricted. Currently, when a former private residence is let out and subsequently sold, up to £40,000 of the gain can be exempted. From 6 April 2020, this relief will only be available where the property is in shared occupation with the owner. In reality, this will mean that most landlords can no longer claim this relief.

In addition, from April 2020 people who sell a residential property will need to make a CGT payment within 30 days of the completion date. At the moment, you have until 31 January following the tax year end in which the sale occurs to settle the tax liability. As an example, for sales completed on 6 April 2020 the preliminary CGT will be due on 6 May 2020, whereas under the current regime you would have had until 31 January 2022, almost 21 months longer.

Action point If you are already planning to sell a residential property in the near future, you may wish to complete the sale before 5 April 2020 to avoid being hit by the changes above.

EXEMPTIONS FOR ANNUAL EVENTS AND TRIVIAL BENEFITS

Employers will no doubt be aware of the **£150 exemption for annual events/parties**. To qualify, the main purpose of the event should be staff entertaining, the cost should not exceed £150 incl. VAT per head, it must be an annual event (e.g. Christmas party, summer barbecue), and should be open to all employees. Where there is more than one business location, it should at least include all staff at that location. If the total cost of multiple annual events is below the £150 limit, they will all be exempt. Note that the £150 is a limit rather than an allowance, so if the total cost per head is £160, the full amount would be taxable. Likewise, if there are two events, one costing £110 and the other costing £50, only £110 will be exempt and £50 will be subject to tax and National Insurance (NI).

Another very useful exemption is for **trivial benefits** made to employees, up to the value of £50 incl. VAT per benefit. We mentioned this in last year's newsletter so hopefully you are all familiar with this (please get in touch if you need a reminder, as there are important qualifying conditions). We want to focus here on the provision of gift cards as trivial benefits, which employees will see as almost as good as cash. For ordinary employees, there is no annual cap on trivial benefits provided (although clearly the exemption should not be abused). For directors or office holders of close companies, or their family members who are employees of the same company, there is an annual cap of £300. So, by gifting themselves gift cards from the company, a husband and wife can between them extract £600 per year from the family company this way without paying any tax or NI. (To qualify, the gift cards must not be convertible into cash).

No tax or NI is due on exempt benefits. Furthermore, the company can obtain a deduction in its accounts and claim back the input VAT, although in the case of entertaining expenses a restriction will be needed if there are clients present at the event.

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MYRUS SMITH

CHARTERED ACCOUNTANTS

Norman House
8 Burnell Road
Sutton
Surrey
SM1 4BW

Tel: 020 8661 1625
Fax: 020 8643 3446
Email: mail@myrussmith.co.uk
Website: www.myrussmith.co.uk

Don't Forget

31 January 2020 – is the deadline for filing your 2019 Tax Return and paying any tax due – if you have yet to let us have the information to prepare your Return, time is running out!

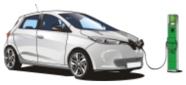
Please, please, let us have your Tax Return information as soon as possible, so that we can minimise the last-minute rush and be more pro-active in dealing with your tax affairs

6 July 2020 – 2019/20 Form P11D filing deadline

31 July 2020 – Second payment on account for 2019/20

31 October 2020 – Deadline for filing 2019 paper Tax Returns. The online filing deadline remains 31 January 2021

REDUCE YOUR TAX BILL WITH ELECTRIC CARS



From 6 April 2020 the company car tax on electric cars will be significantly reduced, making them a more attractive option. The rules for calculating the taxable benefit are not changing; the taxable amount will be based on the vehicle's full UK list price multiplied by the 'appropriate percentage', which can be found by reference to the car's CO_2 emission level. In general terms, the lower the CO_2 emissions of the car, the lower the resulting tax charge will be.

For 2019/20 the appropriate percentage for cars (whether fully electric or not) is 16% for those emitting 50g/km CO_2 or below and 19% with emissions between 51 and 75g/km. This means that the taxable benefit arising on a zero emission car costing, say £30,000, is £4,800 with tax payable of £960 for a basic rate tax payer.

However, from April 2020 new 'ultra-low emission' rates will take effect, making cars with CO_2 emissions below 50g/km the most tax efficient for company car drivers.

In summary, five new bandings are being introduced for full and part electric cars (hybrids) with fully electric (zero emission) cars attracting a 0% appropriate percentage for 2020/21. Cars **registered** from 6 April 2020 will have a lower appropriate percentage than those registered prior to 2020/21.

For cars emitting CO_2 of between 1 and 50g/km the appropriate percentage will depend on the car's electric range figure with the percentage increasing the lower the range.

Expanding on the above example, the 2020/21 benefit arising on a car costing £30,000 with an electric range of 130 miles and CO_2 emissions of between 1 and 50g/km, will be just £600 with the resulting tax payable by a basic rate taxpayer being £120. Furthermore, if the car is registered after 5 April 2020, the appropriate percentage would be 0%, compared with 2% if registered on or before that date.

Once you have shortlisted the cars you are interested in, please get in touch with us and we can let you know both the Corporation Tax savings and the car benefit implications for your options.

PAYMENTS ON ACCOUNT FOR 2018/19

There were widespread failures by HMRC to generate requests for payments on account for the 2018/19 tax year, despite these being included on taxpayers' 2017/18 tax returns. In some cases, HMRC were able to update their systems manually, however in many cases these were missed. If we advised you that payments on account were required for 2018/19, but you did not pay these as you were waiting for an HMRC reminder, you will be affected by this. HMRC have agreed that the full amount of tax can be paid by 31 January 2020, therefore no interest will be due as a result of not having made the payments on account in January and July this year. This is good news, but it does mean that some clients will have a larger payment to make in January as a result.

TEAM NEWS

Tharminy Thirumaran joined our Audit Team in July and is an ACCA member. She also has a BSc (Hons) in Business and Management (Accounting) from Brunel University. Tharminy has more than 13 years' experience in accounting, audit and taxation. She likes shopping, watching movies, and going out with family and friends.

Daryn Parsonage also joined our Audit Team in July and is originally from South Africa. He started his accountancy career in a large practice in central London before moving to a smaller practice in Surrey. He has three years' experience in audit and accounts preparation. Daryn is a huge rugby fan and supports the Springbok rugby team (of course!).

Jahangir Arshid joined the Tax Team in July. He is an Accountancy and Finance graduate and is also ACCA qualified. He loves playing cricket and spending time with his family.

Melanie O'Callaghan joined us as a secretary in the Tax Team in August. Melanie sings with the Sutton Harmony Singers. She has three grown up children and two Oriental cats who all keep her pretty busy in their own sweet ways. Walking, cooking and knitting are her other interests as well as settling down with a good book.

Tracey Wells left Myrus Smith in August to set up a business with her husband. Tracey was a secretary in the Tax Team for over seven years. We were sad to see her go but wish them both every success!

Sharuka Joshua left the Tax Team in April after relocating and buying a house. We wish her all the best in her new home and job.

Finally, congratulations to **Richard Smith** in our Audit Team who got engaged this year!