



Dear Client,

Welcome to our monthly tax newsletter 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.

Best wishes

John & David

COLLECTION OF UNPAID TAX THROUGH YOUR TAX CODE

Currently, HM Revenue and Customs can collect tax debts of up to £3,000 by adjusting your Pay As You Earn (PAYE) tax code. HMRC refers to this as 'coding out'. The effect of this is to recover the debt from your income, by increasing the amount deducted from your income during the tax year. This applies if you have a debt with HMRC and:

- are an employee paying tax through (PAYE), and/or
- receive a taxable UK-based private pension

HMRC are now increasing the amount of debt that can be recovered through your tax code if your annual earnings are £30,000 or more. To do this, HMRC will apply a sliding scale to your main PAYE income. The maximum amount that can be coded out is being increased to £17,000 (where earnings exceed £90,000 a year). These changes will only apply to underpaid Self-Assessment and Class 2 National Insurance debts and Tax Credit overpayments. Changes will be reflected in your 2015-16 tax code and we will write to you before we collect any debts through your PAYE code from April 2015. If your earnings are less than £30,000, there's no change to the £3,000 coding out limit.

Coding out the unpaid 2013/14 tax is only possible if you submitted your paper tax return by 31 October 2014 or file your tax return online by 30 December 2014.

NO LOSS RELIEF FOR BUSINESS RUN AS A "HOBBY"

A recent case before the Tax Tribunal reminds us that in order to set a trading loss sideways against other income, the business must be carried out on a commercial basis with a view to making a profit.

The case in question relates to Mrs Thorne, who ran an equestrian business and another business growing asparagus. The self-employment pages of her tax return showed a single composite business, which incurred an overall trading loss. The equestrian business was unlikely to make a profit and was clearly a hobby. However, the asparagus business was in its early stages; it is widely accepted that it can take up to three years before a significant crop is produced. Had separate accounts been prepared for the asparagus business, loss relief would likely have been available, as it could be argued that the venture was being carried out on a commercial basis with a view to making a profit.

If your business makes losses in the first few years, we can help to ensure the availability of relief by helping you prepare forecasts and a business plan, demonstrating that the business is being carried out on a commercial basis with a view to making a profit.

NEW TAX RELIEF FOR INVESTMENT IN SOCIAL ENTERPRISE

The Social Investment Tax Relief scheme (SITR) introduced this year helps individuals support social enterprises, giving these enterprises access to new sources of finance.

The new relief provides the investor with a deduction from their tax liability, equal to 30% of the amount invested. A £10,000 loan to a qualifying social enterprise would therefore allow an individual to reduce his income tax liability by £3,000. The relief is available for qualifying investments made on or after 6 April 2014. A social enterprise is a commercial business that helps people or communities. It may be a charity or community interest company.



The social enterprise can make sure they (and the proposed investments) qualify by sending an advance assurance application to HMRC.

HMRC CREDIT CARD SALES CAMPAIGN

HMRC's latest disclosure campaign is aimed at traders who accept payments by debit and credit cards but who haven't declared all transactions. The Credit Card Sales campaign provides an opportunity for individuals and companies accepting debit and credit cards (but have not reflected all transactions in their tax return) to bring their affairs up to date in a simple, straightforward way and take advantage of the best possible terms.

Traders wishing to use the scheme must first notify HMRC. They will then have 4 months from the date they receive HMRC's acknowledgement of notification to make a disclosure and pay any tax due. If, however, you do not come forward and HMRC finds later that you are behind with your tax, it may be harder to convince them that it was not a deliberate act. The law allows HMRC to go back up to 20 years and in serious cases HMRC may carry out a criminal investigation.

HMRC is targeting tax evasion through Debit and Credit Card Sales and will use information it holds on its digital intelligence systems to identify taxpayers who might not have declared all their income. Where additional taxes are due, HMRC will usually charge higher penalties than those available under the Credit Card Sales campaign.

VAT "MINI ONE STOP SHOP" (MOSS)

There is a very important change in the VAT place of supply rules for businesses supplying digital services to consumers (B2C). From 01 January 2015, the place of supply for digital services will be where the customer belongs, instead of the current rule (where the supplier belongs). Digital services include telecoms, satellite TV, the downloading of computer software, music, books and manuals.

From 01 January 2015, the UK trader will need to identify where in the EU their non-business customer is located and apply the VAT rate for that country, instead of UK VAT. The customer's location will be where the consumer is established, has their permanent address or usually resides.

The VAT Mini One Stop Shop (MOSS) has been introduced to save these businesses from having to register for VAT in every EU Member State in which they supply their services.

Businesses can now register for the online service from 20 October 2014. Registration for the service has to be carried out by the business itself. Once registered, you can authorise us as your agent to act on your behalf for VAT MOSS.

TAX DIARY OF MAIN EVENTS

<i>Date</i>	<i>What's Due</i>
19 December	PAYE & NIC deductions, and CIS return and tax, for month to 5/12/14 (due 22 December if you pay electronically)
1 January	Corporation tax for year to 31/3/14
19 January	PAYE & NIC deductions, and CIS return and tax, for month to 5/1/15 (due 22 January if you pay electronically)
31 January	Deadline to file 2014 SA tax return online
31 January	Income tax balancing payment for 2013/14, plus CGT for 2013/14
31 January	Income tax 1 st payment on account for 2014/15

Please contact our office if you would like to discuss any of the issues raised.