

## Newsletter October 2009

As we are now half way through the current tax year we have included an article this month on the new loss relief available to companies and the self-employed, a note of the tax advantages of running a double cab pick-up, a note of what you can and can't claim for as home to work travel and finally, for those of our readers who may find it relevant, a reminder of the filing deadlines for tax returns.

Our next newsletter will be published on 5 November 2009.

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### Making the most of loss relief

Under concessions offered in the Finance Bill 2009, trading losses for businesses can now be carried back up to a maximum of three years. To qualify the losses must be suffered:

1. For limited companies, during trading periods ending in the two year period to 23 November 2010, and
2. For unincorporated, self-assessed businesses, during the tax years 2008 -09 and 2009 -10.

Losses have to be carried back to the latest year first. For example if the loss is incurred in the year to 31 March 2010 the first carry back is to the year ending 31 March 2009 (there is no restriction on the amount of losses carried back to this year). If losses are still available after this first set off they can be carried back a further two years. (In our example to the year ending 31 March 2008 and then the year ending 31 March 2007).

However the carry back to these further two years is capped at £50,000 per year against total profits for companies. For unincorporated businesses the carry back to the two earlier years is also capped at £50,000 per year but only against profits from the same trade.

If the loss carried back reduces taxable profits in any of the earlier years tax refunds should be forthcoming. Readers might like to take the following factors into account when considering their planning options:

- Tax losses can be enhanced by claims for equipment purchases, and
- Self-employed tax payers can lose the benefit of their individual tax allowances and this needs taking into account when making loss relief claims.

### Double cab pickups

There has been a lot of publicity lately about the tax advantages of running cars with low CO2 ratings. There are a number of benefits:

- possible 100% first year tax deduction for the cost of the vehicle,
- much reduced benefit in kind charges,
- lower road fund tax and so on.

But not all of us want to run such vehicles even if there are tax, VAT and running cost advantages. Double cab pickups, sometimes described as crew cab pickups, are an anomaly!

For business users, especially the self-employed, they present an unusual tax opportunity.

The HMRC web site describes double cab pickups as:

"... a front passenger cab that contains a second row of seats and is capable of seating about 4 passengers, plus the driver with four doors capable of being opened independently (two door versions are normally accepted to be vans, even those with rear doors that can only be opened after the front doors and that must be closed before the front doors) and an uncovered pick-up area behind the passenger cab."

From the tax year 2002 -03 onwards a double cab pickup is classified as a van for both VAT and benefits purposes if it has a payload of 1 tonne (1,000kg) or more.

If your double cab pickup meets this definition:

1. You can reclaim any VAT added to the purchase price, and
2. The net capital cost (after VAT has been reclaimed) could be available for a 100% first year tax allowance as part of your Annual Investment Allowance up to a maximum of £50,000 each tax year.

If you are a director or employee, any significant private use of the double cab pickup will trigger a standard benefit in kind charge of tax on £3,000 per year. In addition if your firm/employer provides fuel to cover private use of the vehicle there will be an extra benefit charge of tax on £500 per year at current rates. The best way to minimise any risk of these benefits being applied is to restrict the use of the pickup to business use only, or make sure that any private use meets the HMRC definition of "insignificant private use".

If you would like more information regarding this article, or any advice regarding tax effective strategies for running your business vehicles please call.

## **Travelling from home to work**

### **If you are employed**

There are numerous legal cases establishing the principle that employees cannot claim the cost of travel between home and their normal place of work. H M Revenue & Customs consider this cost merely puts the employee in a position to perform their duties. The definition of employee in the examples that follow includes salaried directors of private limited companies.

Exceptions to this general principle, that home to work travel costs cannot be claimed, are outlined below:

- Travel costs from home to a temporary workplace can be claimed - a temporary workplace can be a place of continuous work for up to 24 months, if this period is likely to be exceeded from the start, then the workplace would be considered permanent from the start and no relief would be due. (Note: If it isn't known that the contract will exceed 24 months, then relief will be due up to the 24 month point, or up to the point when it is known that the 24 months will be exceeded if earlier.) A temporary workplace is one where less than 40%

of working time is spent; if this is the case, the 24 month rule doesn't apply and relief will be available in full.

- Travel between two places of work required by the same employer.
- Travel to attend an appointment required by an employer. This cost is allowed even if the journey starts at home.
- Travel between home and work where home is a workplace and the location of home is dictated by the requirements of the job.

### **If you are self-employed**

Many self-employed business people have set up their businesses to run from their home address. If you are self-employed you can claim for any travel expense which is required by your trade as long as the business element can be separated from any private element. For instance you may use your car for a trip into town to bank your business cheques and call at the supermarket on the way home.

To meet the HM Revenue & Custom's requirement of reasonable care in apportioning such costs, you must keep appropriate records. For car users this would normally be a written log of business miles and a record of the vehicles recorded mileage at the beginning and end of each trading year. In this way an accurate assessment of average business use can be calculated and applied to total running costs.

And don't forget, if you run your business through a limited company you are not self-employed. The comments in the first section of this article would apply to your business.

### **Reminder self-assessment filing deadline**

Don't forget that the self-assessment filing deadline for paper returns (2008 -09) is now 31 October 2009. If you file a paper return after this date you will trigger the £100 filing penalty.

HMRC have indicated that if you tried to file online and failed due to some fault in the online filing process, you can still send in a paper copy after the 31 October and as long as you enclose a copy of the online filing error report or details of the error, HMRC will suppress the £100 penalty. (At present HMRC have advised that this reasonable excuse claim must be sent before 23 January 2010).

If we prepare your return after 31 October 2009 we will make every effort to file this electronically - in which case the deadline remains 31 January 2010. However for those clients who have not yet sent us their tax return information for 2008 -09, we do need time to process the information for you, so please submit outstanding paperwork as soon as possible. And don't forget when we have completed the return for you we are not allowed to file unless we have your authority to do so. Please return any written or emailed requests to authorise submission as soon as you can.

### **Tax Diary October/November 2009**

**1 October 2009** - Due date for corporation tax due for the year ended 31 December 2008.

**19 October 2009** - PAYE and NIC deductions due for month ended 5 October 2009. (If you pay your tax electronically the due date is 22 October 2009)

**19 October 2009** - Filing deadline for the CIS300 monthly return for the month ended 5 October 2009.

**19 October 2009** - CIS tax deducted for the month ended 5 October 2009 is payable by today.

**31 October 2009** - The deadline for filing your 2009 Self Assessment return in paper format.

**1 November 2009** - Due date for corporation tax due for the year ended 31 January 2009.

**19 November 2009** - PAYE and NIC deductions due for month ended 5 November 2009. (If you pay your tax electronically the due date is 22 November 2009)

**19 November 2009** - Filing deadline for the CIS300 monthly return for the month ended 5 November 2009.

**19 November 2009** - CIS tax deducted for the month ended 5 November 2009 is payable by today.

**DISCLAIMER - PLEASE NOTE:** The ideas shared with you in this email are intended to inform rather than advise. Taxpayers circumstances do vary and if you feel that tax strategies we have outlined may be beneficial it is important that you contact us before implementation. If you do or do not take action as a result of reading this newsletter, before receiving our written endorsement, we will accept no responsibility for any financial loss incurred.

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