

## Newsletter October 2010

Our newsletter this month includes information regarding the National Insurance holiday for new businesses, an update on possible changes to the tax position of Furnished Holiday Let property, an article that looks at if you need to complete a tax return and finally two updates on HMRC issues.

The next newsletter will be published on 4 November 2010.

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## National Insurance holiday for new businesses

The new regional National Insurance Contributions holiday came into effect on 6 September 2010.

New businesses set up outside London, the South East and East of England are now eligible for a NIC holiday of up to £5,000 for each new employee they take on in the first year of their business. The scheme will last from 22 June 2010 to 5 September 2013

You can claim if your new business started after the last Budget date, 22 June 2010.

The following conditions apply:

1. Holiday applies to the first 10 employees taken on in the first year of the new business.
2. The holiday period for each employee will last for the first year of his or her employment or a shorter period to 5 September 2013 when the scheme ends.
3. The maximum saving of NIC contributions for each employee will be limited to £5,000.
4. The NIC holiday is subject to a formal application to HMRC when you engage your first employee.
5. There are anti-avoidance provisions to prevent existing businesses from reorganising their affairs to qualify for the relief.
6. The NIC savings are limited to secondary employer's contributions.
7. The principal place of business must not be in an excluded area (see full list below)

If you think you may be eligible for this new relief and would like our help applying to HMRC please call.

Excluded regions:

- Greater London
- Eastern Region comprising; the counties of Bedford, Cambridgeshire, Central Bedfordshire, Essex, Hertfordshire, Norfolk and Suffolk. The non-metropolitan districts of Luton, Peterborough, Southend-on-Sea and Thurrock.
- South East Region comprising; the counties of Buckinghamshire, East Sussex, Hampshire, the Isle of Wight, Kent, Oxfordshire, Surrey and West Sussex. The non-metropolitan districts of Bracknell Forest, Brighton and Hove, Medway, Milton Keynes, Portsmouth, Reading, Slough, Southampton, West Berkshire. Windsor and Maidenhead and Wokingham.

## Update on Furnished Holiday Let (FHL) property

HMRC are presently consulting with interested parties with the intention of changing the rules for the tax treatment of FHL property from April 2011.

We thought readers would be interested in the specific proposals being discussed:

1. Currently, a property must be available for commercial letting to the public for 140 days and be let for at least 70 days. The intention is to extend these periods to 210 days and 105 days respectively.
2. Currently, losses created by the letting of FHL property are available to set off against other income of the same tax year. It is now possible that this will be restricted from April 2011 such that you could only carry losses forwards to set off against future FHL profits.
3. Currently, if you make a claim for capital allowances by concession you are allowed to claim even in years when FHL status is denied. From April 2011 if a property does not qualify a claim for capital allowances will be denied.

### **Planning opportunity**

For those of you who have qualifying FHL property in the UK or EC there is a planning opportunity between now and April 2011 that you should consider.

In particular:

1. If you are considering a significant refurbishment, new furniture, kitchen etc, that will qualify for capital allowances in 2010-11, you may be advised to quantify the tax advantage of doing so. The current Annual Investment Allowance is £100,000.
2. If you made a tax loss as a result of a claim for capital allowances, you may be able to set the loss against other income and recover tax already paid.

## **Do you need to complete a Tax Return?**

The recent press coverage of taxpayers who may be receiving unexpected tax refunds or tax demands has created yet further anxieties about the integrity of our tax system. The refunds and demands are due to HMRC errors in tax codings and other issues for the two tax years ending 5 April 2009 and 5 April 2010. In the main, tax payers who are not required to complete a self-assessment tax return will be affected, although not all tax payers in this category will be included.

If you complete a self-assessment tax return your annual tax position is reconciled as part of the filing process.

Certainly, if you do receive an unexpected demand you should check HMRC's calculations - if you have multiple employments or other complicated matters that affect your tax position you could well benefit from a consultation with a tax professional. Please call if you would like our help.

If you don't presently complete a tax return we have included a list below of tax payers who should be submitting a return. Again, if you would like our help in organising registration, please call.

### **Who needs to complete a tax return?**

The most common reasons for needing to fill in a tax return are listed below.

- You're self-employed
- Company directors, ministers, Lloyd's names or members
- Income above a certain level from savings, investment or property - income from savings and investments of £10,000 or more; income from untaxed savings and investments of £2,500 or more; income from property (before deducting allowable expenses) of £10,000 or more; income from property (after deducting allowable expenses) of £2,500 or more; annual trust or settlement income on which tax is still due (even if you're only treated as receiving this income); income from the estate of a deceased person on which tax is still due
- If you receive a reduced age-related allowance because you're 65 but your income is over a certain level (£22,900 for the 2010-11 tax year), you'll need to complete a tax return. But there are exceptions, for example

if your tax affairs are very straightforward.

- Income from overseas
- Your annual income is £100,000 or more
- You need to claim certain expenses or reliefs
- You owe tax and HMRC can't collect it through your tax code, or you prefer to pay direct
- You have Capital Gains Tax to pay
- You've lived or worked abroad or aren't domiciled in the UK
- You're a trustee

## Further HMRC issues this month

### **50% rate tax payers beware...**

HMRC have no present system for deducting tax at a flat rate of 50% from second or subsequent employments. The nearest tax code is DO that only collects tax at 40%.

As a result tax payers in this position will be underpaying tax through the PAYE system and should be prepared for an underpayment when they complete their annual tax return.

### **Beware bogus emails from HMRC**

Scammers are capitalising on the recent publicity surrounding HMRC demands for unpaid tax and notification of refunds by sending out spurious emails that seek to obtain personal data and financial information by deception.

HMRC will never email you on any aspect of your tax affairs and all emails purporting to be from HMRC should be ignored. If you are due a refund or have underpaid tax you will be notified by post.

## Tax Diary October/November 2010

**1 October 2010** - National Minimum Wage rise to £5.93 (aged 21 and over); £4.92 (18 to 20 years); £3.64 those aged 16 and 17.

**1 October 2010** - Due date for corporation tax due for the year ended 31 December 2009.

**19 October 2010** - PAYE and NIC deductions due for month ended 5 October 2010. (If you pay your tax electronically the due date is 22 October 2010)

**19 October 2010** - Filing deadline for the CIS300 monthly return for the month ended 5 October 2010.

**19 October 2010** - CIS tax deducted for the month ended 5 October 2010 is payable by today.

**31 October 2010** - The deadline for filing your 2010 Self Assessment return in paper format.

**1 November 2010** - Due date for corporation tax due for the year ended 31 January 2010.

**19 November 2010** - PAYE and NIC deductions due for month ended 5 November 2010. (If you pay your tax electronically the due date is 22 November 2010)

**19 November 2010** - Filing deadline for the CIS300 monthly return for the month ended 5 November 2010.

**19 November 2010** - CIS tax deducted for the month ended 5 November 2010 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.

Foot Davson  
Chartered Accountants  
17 Church Road  
Tunbridge Wells  
Kent TN1 1LG  
Tel: 01892 774774 Fax: 01892 774775 web: [www.footdavson.co.uk](http://www.footdavson.co.uk)

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Foot Davson Financial Advisers Ltd  
17 Church Road  
Tunbridge Wells  
Kent TN1 1LG  
Tel: 01892 774777 Fax: 01892 774778

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