

## McPhersons Tax E-News

Welcome to our monthly tax newswire. In this issue we cover a number of matters to consider before the end of the tax year and important changes being introduced in the next tax year.

March 2019



### DON'T LOSE YOUR PERSONAL ALLOWANCE!

For every £2 that your adjusted net income exceeds £100,000 the £11,850 personal allowance is reduced by £1. Pension contributions and Gift Aid can help to reduce adjusted net income and save tax at an effective rate of 60%.

The restriction applies between £100,000 and £123,700 adjusted net income. Another way that you could avoid this trap would be to agree with your employer to sacrifice some of your salary in exchange for a tax free benefit in kind. These rules changed from 6 April 2017 but employer pension contributions, bicycles, and employer provided childcare would continue to be tax effective.

### YEAR END PENSION PLANNING

For most taxpayers the maximum pension contribution is £40,000 each tax year, although this depends on their earnings. This

limit covers both contributions by the individual and their employer. Note that the unused allowance for a particular tax year may be carried forward for three years and can be added to the relief for the current, but then lapses if unused. Hence the unused pension allowance for 2015/16 will lapse on 5 April 2019 if unused. Note that under the current rules the net after tax cost of saving £10,000 in a personal pension for a higher rate taxpayer is only £6,000 but there continue to be rumours that this generous relief may be reduced in future.

### HAVE YOU USED YOUR 2018/19 ISA ALLOWANCE?

Your maximum annual investment in ISAs for 2018/19 is £20,000. Your investment needs to be made before 6 April 2019. In addition, have you thought about investing for your children or grandchildren by setting up a Junior ISA? In the 2018/19 tax year, you can invest £4,260 into a Junior ISA for any child under 18.

### CONSIDER OTHER TAX EFFICIENT INVESTMENTS

If you are looking for investment opportunities, have you considered the Enterprise Investment Scheme (EIS)? These investments in certain qualifying companies allow you to set off of 30% of the amount invested against your income tax bill as well as the ability to defer Capital Gains Tax (CGT) until the shares are sold.

An even more generous tax break is available for investment in a qualifying Seed EIS company where income tax relief at 50 per cent is available and in addition it is possible to obtain relief against your 2018/19 capital gains. Both EIS and Seed EIS also provide a CGT exemption when the shares themselves are sold after 3 years. Note however that qualifying EIS and Seed EIS companies tend to be risky investments so professional investment advice should be taken.

A 30% income tax break is also available by investing in a Venture Capital Trust.

### YEAR END CAPITAL TAX PLANNING

Have you used your 2018/19 £11,700 annual capital gains exemption? Consider selling shares where the gain is less than £11,700 before 6 April 2019. In addition, if you have any worthless shares, consider a negligible value claim to establish a capital loss. You may even be able to set off that capital loss against your income under certain circumstances which could save income tax of up to 45% of the loss. As far as Inheritance Tax (IHT) planning is concerned, all individuals have a £3,000 annual allowance which means that gifts up to that amount each year are exempt from IHT. If you have not used your £3,000 allowance from 2017/18 you can make gifts of up to £6,000 before 6 April 2019 without the gift being liable to IHT. Also consider making regular gifts out of your income to minimise the growth of your estate that will be liable to IHT. Gifts out of your surplus income are not subject to IHT if properly

structured and we can assist you keeping the necessary documentation.

## NEW WORKPLACE PENSION LIMITS FROM 6 APRIL 2019

The amounts that employers and workers will be required to pay into workplace pensions are due to increase from 6 April unless the worker opts out. The new limits will be 5% from the worker and 3% from the employer. The total minimum contribution will therefore increase from the current 5% overall to 8%.

In some schemes, your employer has the option to pay in more than the legal minimum. In these schemes, you can pay in less as long as your employer puts in enough to meet the total minimum contribution of 8%.

## BUY NEW EQUIPMENT BEFORE 6 APRIL?



Your business year end, not 5 April, is relevant for capital allowances purposes. If however you are running a business and making up accounts to 31 March or 5 April, you should consider buying plant and machinery to take advantage of the Annual Investment Allowance (AIA). Note that the AIA was increased from £200,000 to £1 million on 1 January 2019, so the allowance for year ended 31 March 2019 would be £400,000, not the full £1 million (£200,000 x 9/12 plus £1 million x 3/12).

The AIA provides a 100% tax write off for equipment used in your business. This tax relief extends to fixtures and fittings within business premises such as electrical, water and heating systems. AIA does not apply to motor cars but there is a special 100% tax relief if you buy a new car that emits no more than 50g CO2 per kilometer.

## SIMPLIFIED IMPORT PROCEDURES IN THE EVENT OF “NO DEAL”

Arrangements have been announced by the government regarding the movement of goods to and from the EU. A simplified import and export system has been implemented by HMRC - in the event of a ‘no deal’ scenario - as a mechanism to ensure that goods move to and from the UK, with a reduced administrative burden for businesses, in terms of the documentation required at the port of entry and exit.

It is intended to make it easier for businesses who import from the EU using roll on roll off (RO-RO) facilities. This development will be of interest to any businesses involved in intra-EU trade. In particular, those businesses whose goods arrive and depart from one of the UK’s RO-RO locations for example, Dover or the Channel Tunnel.

Businesses need to consider whether they wish to make use of this provision. HMRC has advised that businesses will need to register to use Transitional Simplified Procedures (TSP), this can be done from 7th February 2019 via the following link: [www.gov.uk/hmrc/eu-simple-importing](http://www.gov.uk/hmrc/eu-simple-importing)

These transitional simplified procedures reduce the amount of information you need to give in an import declaration when the goods are crossing the border. They do this by allowing you to defer giving a full declaration and paying the relevant customs duty.

## DIARY OF MAIN TAX EVENTS

### MARCH/APRIL 2019

Date	What's Due
1/03	Corporation tax payment for year to 31/5/18 (unless quarterly instalments apply)
19/03	PAYE & NIC deductions, and CIS return and tax, for month to 5/03/19 (due 22/03 if you pay electronically)
1/04	Corporation tax payment for year to 30/6/18 (unless quarterly instalments apply)
1/04	MTD for VAT starts to apply to VAT record keeping and VAT reporting for return periods commencing after this date (unless deferral to 1 October 2019 applies)
5/04	End of 2018/19 tax year, Many tax actions need to be taken by this date (see above)
6/04	New workplace pension limits apply, 5% from the worker and 3% from the employer, an overall minimum of 8% of earnings
19/04	PAYE & NIC deductions, and CIS return and tax, for month to 5/04/19 (due 22/04 if you pay electronically)