



May we just remind readers with self assessment tax to pay to make sure they have settled the tax which was due for payment on 31 January 2010. If you delay payment beyond the 28 February 2010 penalties as well as interest will be added to your bill. If you have cash flow problems H M Revenue & Custom's Business Payment Helpline is still operational, give them a call on 0845 302 1435.

This month's newsletter includes an article on the tax treatment of principal private residences, how to avoid the extra tax charge for the private fuel used in your company car, an update on the State Retirement Age uplift for women and ideas for utilising tax losses.

Our next newsletter will be published on 4 March 2010.

## Principle Private Residence (PPR)

If you own property and are resident in the UK for tax purposes when you sell the property there could be a liability in the form of capital gains tax or income/corporation tax if you are a property developer.

The most notable exception to this general rule is if the property you are selling is your principal private residence. For most of us this is our home, the place where we live. Of course some of us, including certain Members of Parliament, may own more than one property. In which case how does the PPR rule apply?

The answer, as you would expect, is complicated. Generally speaking if you own two properties only one can be considered your PPR at a particular point in time. In the absence of making an election this is determined based on the facts - generally the property used more. However you can make an election to choose which property is treated as your PPR within 2 years of acquiring a second residence. Having made the election it can be changed at any time and backdated 2 years. Why would you do this? The main tax advantage is that PPR status exempts the last three years of ownership from CGT - in some circumstances other tax breaks may apply if the property has been let. You will need evidence that you actually took up residence in the second property.

*Continued Page 2*



### Contents

Introduction	1
Principle Private Residence	1
Capital Gains Tax Rates	2
Useful IT Tools	2
Using Tax Losses Effectively	3
Avoiding Tax Charge for Private Fuel	3
Tax Diary February / March 2010	4

### VAT – Compulsory Filing Online Next Year

A reminder for all our business readers that a compulsory change in the way you file quarterly VAT returns is being introduced.

If your turnover is more than £100,000, you will have to file your VAT return online for accounting periods that start on or after 1 April 2010. Or if you register for VAT on or after April 1 2010, you will have to file online regardless of your turnover.

It's a good idea to use the online service now if you can - it will save you time and in some cases it will give you an extra seven days to pay the VAT due.

## Capital Gains Tax Rates

At present the state pension age (SPA) for men is 65 and women 60 years. To qualify for a full basic state pension men currently need 44 years of National Insurance contribution and women 39 years.

Thanks to a piece of legislation passed way back in 1995 this is about to change.

From April 2010 you will only need to evidence 30 years of contributions to qualify for a full basic state pension - the same for both men and women.

Between April 2010 and 2020 the SPA for women will gradually rise until in April 2020 the SPA for men and women will be the same, 65 years.

Between April 2024 and April 2046 the SPA for both men and women will gradually rise to 68 years.

So the good news is in future you will have to prove 30 years of contributions, not 39 or 44 years; the bad news you may have to wait longer to start drawing your pension.

The changes will also have an impact on National Insurance contributions. Up to 5 April 2010 65 year old men and 60 year old women do not have to pay National Insurance. As the state retirement age increases from 6 April 2010 so will the date on which you will be exempt from making further contributions.

Men and women who have already reached retirement age and are in receipt of a state pension at 5 April 2010 will not be affected by these changes. They will continue to be exempt from making National Insurance contributions and continue to draw their pension.

## Principle Private Residence (PPR)

*Continued from Page 1*

If you have a second property and spend reasonable amounts of time in residence this is a strategy you may want to consider especially if your intention is to sell one of the properties in the medium term.

Other aspects of the PPR relief that readers may find interesting are set out below:

1. If you retain part of the land that made up your garden and sell it after you sold the house, the gain on the disposal of the garden would be taxable.
2. If there is a delay in moving to a dwelling house at the start of a period of ownership, HMRC will accept PPR status for the property as long as the delay is generally not longer than one year. In exceptional circumstances HMRC will extend this limit to two years but no longer than this.
3. If you are absent from your PPR for a period, perhaps to work overseas, HMRC will accept that the period of absence will not affect PPR status for the time you are away. You will need to demonstrate that you were in residence both before and after the period away.
4. If when a couple marry or enter into a Civil Partnership both own a property, it is important to consider appropriate tax planning and make a formal election to formalise which property is to be considered their PPR. Married couples or Civil Partners can only have one PPR between them. A formal election has to be made within two years of marriage or entering into a Civil Partnership.

## Useful IT Tools

- [www.printeranywhere.com](http://www.printeranywhere.com) - Share your printer in less than a minute and let others (connected to internet) print to it. Print next door or on a printer 10,000 miles away
- [www.crossloop.com](http://www.crossloop.com) - Share a screen and let someone else take control – support, training etc, Transfer files between PCs, Simply enter a login code generated on PC into the other PC –and connect!
- [www.zhornsoftware.co.uk/stickies](http://www.zhornsoftware.co.uk/stickies) - Electronic “post it” notes, No more paper notes stuck all around the screen!
- [www.smart-survey.co.uk](http://www.smart-survey.co.uk) - Customer Satisfaction surveys, staff feedback, requests for information .....unlimited uses....
- [www.msgtag.com](http://www.msgtag.com) – Know that an e-mail has been received and opened without the recipient having to do anything.

## Using Tax Losses Effectively

There is a difference between a trading loss and a tax loss. There are times when you may turn in a trading profit which is converted to a tax loss by claiming capital allowance, particularly the Annual Investment Allowance. Having arrived at the tax loss there are then a number of choices.

Primarily these are:

- Carry the losses forwards to set off against future profits of the trade
- carry the losses sideways in the same tax year and set off against other income
- or carry the losses back (how far back depends on individual circumstances).

There is a temptation to go for options 2 or 3 as there is a real opportunity to recover tax already paid and positively impact cash flow.

Unfortunately this may not be the best option. The two main circumstances when option 1 may be a better choice are set out below.

1. Sometimes you will be required to carry losses back or sideways until all of your taxable income is covered. In some cases this may mean that you get no benefit for your personal allowance which would be wasted.
2. An immediate set off of losses may reduce taxable earnings that were subject to basic rate tax in prior or current tax years when you may be predicting earning in forthcoming years at higher rates.

With the advent of the 50% income tax rate from 6 April 2010 and the gradual loss of personal tax allowances for high income earners, carrying losses forwards may be a better strategic choice - rather than a quick set off at lower rates use the losses in the following year.

Please note that the comments above are a simplification of a complex process. If you are presently in a loss making position but can see profitable times ahead, careful tax planning to maximise the benefit of the losses is essential. Call Robert Ellis or Peter Way-Rider on 01244 343504 for more information.

## Brain teaser

A poor man says to a rich man: I know every song that ever existed. I bet you all the money you have that I can sing a song with your daughter's name in it. The rich man laughs and says: "Ok, I'd like to see you try. My daughter's name is Jemima Russell-Jones". The poor man goes home rich and the rich man goes home poor. What song did the poor man sing?

*Answer on page 4.*

## Avoiding Tax Charge for Private Fuel

If you are provided with a company car and your employer pays for your private fuel you may want to consider the options set out below which may reduce the overall tax cost of the arrangement.

At present if you receive any free private fuel for your company car you will be taxed as a benefit in kind according to a fixed rate calculation. For the tax year to 5 April 2010 this is £16,900 multiplied by a percentage based on CO2 emissions or in some cases the size of the engine. For CO2 emissions in excess of 220 g/km this can be as much as 35%. For a 40% rate tax payer this would add £2,366 (£16,900 x 35% x 40%) to their annual tax bill.

Unless your private motoring is exceptionally high this may be a tax cost that is entirely avoidable at much lower cash cost.

For instance HMRC allow you to reimburse your employer for your logged, personal mileage at an agreed rate - the details of current rates are added as a footnote to this article. If say your private mileage this tax year was 2,000 you would need to repay £400 (2,000 miles x 20p). Or you could pay the tax on the fuel benefit £2,366...

The key point is that it is worth crunching the numbers to see if you would be better off reimbursing your employer for private fuel rather than accepting the tax charge.

This type of arrangement also has benefits for the employer who will see a reduction in Class 1A National Insurance contributions due to the elimination of the car fuel benefit charges.

From the 1 December 2009 the advisory fuel rates are: (figures in brackets applied from 1 July 2009)

Up to and including 1,400 cc: petrol 11p (10p); diesel 11p (10p); LPG 7p (7p)

1,401 to 2,000 cc's: petrol 14p (12p); diesel 11p (11p); LPG 8p (8p)

Over 2,000 cc: petrol 20p (18p); diesel 14p (14p); LPG 12p (12p)

## Tax Diary February / March 2010

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

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

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

1 March 2010 - Due date for corporation tax due for the year ended 31 May 2009.

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

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

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

*Brainteaser Answer: Happy Birthday!*

DISCLAIMER - PLEASE NOTE: The ideas shared with you in this document 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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