

[Click here to visit our website](#)

A few surprises in Mr Darling's Budget announcements last week. We have expanded on two issues in this newsletter; the changes to the Furnished Holiday Lets rules and the inclusion of business tax losses in tax payment arrangement agreed with the Business Payment Support Service. We also attach links to our full Budget analysis and the link to order our Budget 2009 Tax Facts.

We have also included an article that examines the tax position of unmarried couples and changes to the interest charges made by HMRC on tax paid late.

Finally we also include an article regarding a benefit in kind rule change for the motor industry and details of our most recent tax factsheets.

The next newsletter will be published 4 June 2009.

[Pass it on!](#) 

[Tax facts at your fingertips](#) 

[Car Benefits - Changes for the Motor Industry](#) 


[Business Payment Support Service](#) 

[HMRC - interest rate changes](#) 

[2009 Budget](#) 


[Good ideas when you need them](#) 

[Furnished Holiday Let \(FHL\) property](#) 

[Tax position of unmarried couples](#) 

[Tax Diary May/June 2009](#) 

If you know anyone who might be interested in our newsletter feel free to forward this copy. If you have received a forwarded copy and would like to subscribe at no charge, just follow this link <http://www.armstrongwatson.co.uk/yourneeds/page/420>

Click here for a call back from our office regarding this article. 

Back to top 

On 22 April Chancellor Alistair Darling delivered a budget that was viewed as one of the most important budgets ever.

To read our views and comments on the budget use the following link:  
<http://www.armstrongwatson.co.uk/ournews/page/319>

To order a copy of our tax facts card please use this link:

<http://www.armstrongwatson.co.uk/ournews/page/320>

If you want to discuss any issues that arose from the budget please use the link below or email [taxnewsletter@armstrongwatson.co.uk](mailto:taxnewsletter@armstrongwatson.co.uk)

**Click here for a call back from our office regarding this article.**  **Back to top** 

Have you seen our new range of tax factsheets? Our tax factsheets cover business, personal and employment taxes and VAT advice and compliance. However, they only provide an overview and advice should be sought in respect of your own circumstances. Each month we will be adding new factsheets to the list.

**New this month:**

Claiming VAT on Entertaining Expenses (VAT)  
VAT - Distance Selling Rules (VAT)  
Converting Tax Losses (Personal Tax)  
Residence and Domicile Update (Personal Tax)  
Dividend Waiver Issues (Business Tax)  
New Tax Penalties (All)

Follow this link to find out more.

<http://www.armstrongwatson.co.uk/yourneeds/page/429>

If there is a topic that interests you please contact us if you wish to discuss it further.

**Click here for a call back from our office regarding this article.**  **Back to top** 

The whole 'work/life balance' has never been more of a blur and right now you may well be wondering where does work stop and life start? It's often during times of challenge that little things can really make a big difference... a simple explanation on a piece of new legislation... an advance notification of a potential opportunity... a simple tip that could save you money... or maybe just an inspirational thought.

Good ideas are always welcome but when you're busy, staying one step ahead of the game is never easy. Our Armstrong Watson bulletin is designed to do the hard work for you - it's our way of staying in touch and keeping you up to speed with issues and opportunities that could be helpful.

Deliberately short and to the point, our 'Good Ideas' bulletin will offer you relevant and proactive advice in a no-nonsense format to support and inspire you... and it's free! This bulletin is in addition to our tax newsletter which you will continue to receive.

If you would like to receive our free bulletin please click on this link, which will direct you to a dedicated page on our website for you to subscribe - [www.armstrongwatson.co.uk/signup](http://www.armstrongwatson.co.uk/signup)

[Click here for a call back from our office regarding this article.](#)



[Back to top](#)



It is common practice, both in motor manufacturing and the retail car sales industry (both new and used), for an employee to have the contractual right to take a car, but not a particular car, home. This is also true of employees in the same contractual position in the daily car rental business and to some employees of fleet operators.

Applied strictly, the system for charging car benefits based on price and CO2 emissions could mean a considerable amount of record keeping and administrative work where there are frequent changes of car. HM Revenue & Customs (HMRC) recognises the need for administrative simplicity in such cases and has therefore always made arrangements to accommodate these administrative difficulties within the terms of the car benefit legislation.

It is important to note that from 6 April 2009, all previous local arrangements with HMRC are replaced by a single national arrangement. Employers not wishing to participate in the single national arrangement will be required to report car benefit on an actual basis. As you may be aware this could result in a considerable amount of record keeping and administrative work where there are very frequent changes of car.

The effect of the single national arrangement is that each affected employee is deemed to drive a single notional car based on the results of a seven step process.

Please contact us if you would like to discuss the new arrangements in more detail.

[Click here for a call back from our office regarding this article.](#)



[Back to top](#)



The EU seem to have caused a bit of an earthquake! As a direct result of EU rulings the UK has been compelled to extend the various tax advantages of FHL status to properties located within the European Economic Area (EEA) - as long as they meet the required qualifying criteria.

It would appear that this did not sit well with the UK Treasury as they have announced that the entire FHL tax legislation is to be repealed, withdrawn, from 6 April 2010.

#### **What difference will this make?**

Obviously if you presently rent out accommodation as a qualifying holiday let in the UK it will make a big difference. From 6 April 2010 FHL property income will revert to being taxed as non-FHL property income. In a nutshell the downside tax effects after 5 April 2010 are:

- you can no longer set off FHL losses against other income
- you can no longer claim capital allowances for the purchases of furniture and equipment, and
- you will lose significant capital gains tax reliefs including roll-over and entrepreneurs' relief if you dispose of FHL properties after 5 April 2010.

#### **What are the opportunities?**

As always change has upside effects. We have listed two below:

- if you own a let property in the EEA, that would have qualified as a FHL property under the present rules, it may be possible to back date changes to your tax returns for 2007 and 2008. This would include set off of surplus FHL losses against other income.
- if you have sold a property in the EEA that would have qualified for more favourable capital gains tax treatment, computations can be revised for the years ending 5 April 2007 and 5 April 2008.

### What's next?

If you feel that you may be affected by these changes we should meet and discuss as soon as possible. The most immediate deadline is to apply for a late change to your 2007 self assessment tax return if it needs to be changed; this has to be done by 31 July 2009. (If you have operated your FHL trade through a company, amendments to tax computations for accounting periods ending on or after 31 December 2006 have to be submitted by the same date, 31 July 2009.)

[Click here for a call back from our office regarding this article.](#)



[Back to top](#)



This service continues to offer taxpayers deferred terms for settlement of their tax liabilities. Nationally the feedback from businesses and individuals who have made applications has been promising - HMRC has been sympathetic and supportive in most cases.

However there is a circumstance where the Support Service staff have been unable to assist and that is when businesses are making losses in the current tax year.

Under recent concessions from HMRC it is now possible to carry back some tax losses for three years. Of course it is not possible to quantify the tax effects of these losses until accounts are finally submitted with the relevant claims.

The Budget announcement last month now includes powers that will allow the Business Payment Support Service to take these losses into account when negotiating deferred payment arrangements.

We recommend that you contact us if you need to quantify the effects of possible loss relief in the current year, and carry backs to previous years.

[Click here for a call back from our office regarding this article.](#)



[Back to top](#)



UK tax legislation relating to capital gains tax (CGT) and inheritance tax (IHT) is biased in favour of marriage or Civil Partnership. The recent Budget has done nothing to change this.

If you are committed to a long term life partnership with another individual, and you are not married or in Civil Partnership, the opportunities to mitigate CGT and or IHT are limited. This article discusses these limited options.

- **Assets owned when relationship started.** Generally speaking it has been difficult to transfer assets between partners that were owned prior to the commencement of their relationship. For IHT purposes the transfer would be treated as a Potentially Exempt Transfer (PET) - any potential liability would only disappear after a seven year period. The IHT risk could be insured against by taking out a seven year life policy, but of course you

would have to pay the premiums!

If assets are transferred between partners, and the asset in question is subject to CGT on disposal, any such transfer will create a CGT liability. The only exception is if the market value of the assets at the date of the gift or transfer is the same as, or lower than the original cost. With most share portfolios now in a loss position this may open up opportunities to equalise estates by gifting across securities. This may also crystallise CGT losses for the donor which he or she could put to good use.

Depending on the type of asset, transfers may trigger Stamp Duty Land Tax charges.

And finally, gains on gifts of certain business assets can be rolled over.

- **Assets purchased after the relationship started.** Assets purchased together after the relationship has commenced opens up the possibility of equalising estates by owning such assets jointly.

If there are concerns about unequal financial contributions made by partners to purchase the asset, these can be reflected in the percentage share.

In certain circumstances it may also be effective to use a trust to accommodate certain aspects of the transaction.

- **Insurance.** If IHT planning is ignored a partner surviving a first death may be obliged to sell assets, if the couple's assets were significantly above their nil rate bands. (Currently £325,000)

This may involve the survivor selling the family home, or taking out a mortgage, to pay IHT.

This risk can be covered by a first death life policy written in trust for the benefit of the survivor.

## Conclusion

Most unmarried couples are disadvantaged in the UK tax system. Ultimately the only way to redress this is for our Government to legislate and remove this bias, or for affected couples to actually get married or enter into a Civil Partnership. Obviously there are many important non-tax reasons why this may be an inappropriate course of action to take.

If you have tax planning concerns as a result of reading this article please contact us.

**Click here for a call back from our office regarding this article.**



**Back to top**



Due to the recent reduction in bank rate from 1% to 0.5%, on 6 March 2009, HMRC has made the following changes to its interest rate charges and supplements.

### Interest rates from 6 March 2009

- 1.5% on unpaid corporation tax paid by instalments
- 0.25% on overpaid corporation tax

### From 24 March 2009

- 2.5% on unpaid income tax, capital gains tax, National Insurance contributions and stamp duties

- 0% on similar overpaid taxes
- 0% on inheritance tax payable or refundable
- 2.5% on corporation tax not due by instalments
- 0% on overpaid corporation tax not due by instalments
- 2.5% on unpaid VAT

Readers may be intrigued to notice that no interest is now payable on late paid inheritance tax.

**Click here for a call back from our office regarding this article.**  **Back to top** 

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

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

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

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

**19 May 2009** - The payroll forms P35 and P14s must be filed by this date - employers late in filing these forms may receive a penalty.

**31 May 2009** - Ensure all employees have been given their P60s.

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

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

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

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

**Click here for a call back from our office regarding this article.**  **Back to top** 

**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.

Armstrong Watson

15 Victoria Place, Carlisle CA1 1EW

Tel: 01228 690100 Web: [www.armstrongwatson.co.uk](http://www.armstrongwatson.co.uk)

Email: [taxnewsletter@armstrongwatson.co.uk](mailto:taxnewsletter@armstrongwatson.co.uk)

Armstrong Watson is a partnership registered for VAT under reference 256202777.

Partners in the firm are members of the Institute of Chartered Accountants in England and Wales (ICAEW). This body has its headquarters in the UK and its rules of professional conduct can be obtained from its web site.

Armstrong Watson is registered to carry on audit work by the Institute of Chartered Accountants in England and Wales (ICAEW) and is authorised and regulated by the Financial Services Authority.