Money Matters

Lang Bennetts
CHARTERED ACCOUNTANTS
helping our clients prosper...

www.lang-bennetts.co.uk

SPRING 2019

Building for the future with capital allowances

Credit: iStock/tolgart

Inside...

Double hit to company cars

There is a steep 3% increase in company car tax rates from 6 April.

Percentage charges for the current year and for 2019/20 are:

CO_2 g/km	0-50	51-75	76-94	95 and above
2018/19	13%	16%	19%	20% + 1% per 5g/km over 95g/km
2019/20	16%	19%	22%	23% + 1% per 5g/km over 95g/km

Credit: iStock/Petmal

The maximum percentage charge is capped at 37%. For diesel cars, a 4% surcharge is added when calculating the percentage tax charge, subject to the 37% maximum.

> *CO_2 emission figures for company cars will be based on the new worldwide harmonised light vehicle test procedure (WLTP) from April 2020.*

Measuring CO_2 emissions

There has also been much uncertainty about changes to the way cars' CO_2 emissions will be measured. CO_2 emission figures for company cars will be based on the new worldwide harmonised light vehicle test procedure (WLTP) from April 2020. Until then, cars undergoing the new test will be given a CO_2 emission figure correlated to the old basis of measurement.

The change could push up a car's CO_2 emissions by several percentage points, but the government will not be reviewing the impact until this spring.

The correlated figures are, however, resulting in higher percentages than the previous basis, and this disparity will worsen once true WLTP emission figures are used.

Ultra-low emission vehicles

If you are planning to change your company car and want to keep the tax cost to a minimum, then look ahead to the new ultra-low emission regime coming in for 2020/21. From 6 April 2020, the percentage charge will be just 2% for a car with zero emissions, or for a plug-in electric vehicle with CO_2 emissions of 1–50g/km and with an electric range of 130 miles or more. The percentage increases as the electric range reduces.

The electric range is the maximum distance that can be travelled in pure electric mode without recharging the car's battery or using the combustion engine of the plug-in vehicle.

Increasing tax costs make vehicle selection even more important. If you would like to discuss how you might be affected, please get in touch.

Probate fees hike targets larger estates

The government has resurrected its controversial probate banding structure, now due to come in from April 2019, essentially creating a stealth tax aimed at larger estates.

The new fees for obtaining probate – in England and Wales only – are on a sliding scale, based on the value of an estate before inheritance tax (IHT). There are different systems in Scotland and Northern Ireland.

Currently, there's a flat fee of only £155 where a solicitor obtains a grant of probate or £215 if it is obtained by another person; there is no fee for estates of £5,000 or less. The new fees can be as much as 0.5% of an estate's value, while the threshold below which no fee is payable will increase to £50,000:

Value of estate	Probate fee
Up to £50,000	No fee
Over £50,000 to £300,000	£250
Over £300,000 to £500,000	£750
Over £500,000 to £1 million	£2,500
Over £1 million to £1.6 million	£4,000
Over £1.6 million to £2 million	£5,000
Over £2 million	£6,000

The same fees will apply for obtaining letters of administration where the deceased dies without a will.

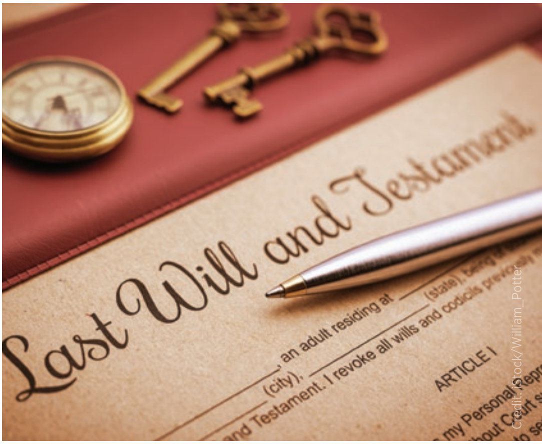
Funding higher fees

Banks and building societies will usually release funds up to a certain threshold without requiring a grant of probate, but this will be of little help to estates that are cash poor but asset rich. Possible ways of funding fees include the executor or beneficiaries paying the fees personally, or the executor obtaining a loan. A solicitor or probate company might be willing to pay the fee up front, or an alternative executor with adequate funds or a better credit rating could be appointed.

> *"Possible ways of funding fees include the executor or beneficiaries paying the fees personally, or the executor obtaining a loan.*

You might consider taking out a life assurance policy which is then held in trust for the benefit of either the executor or a beneficiary. There are also proposals to provide limited access to estate assets for the sole purpose of paying the probate fee.

You should get expert advice before taking any measures.



Credit: iStock/William_Potter

Capital allowances in focus

A new structures and buildings allowance (SBA) announced in the 2018 Budget will address 'a gap in the current capital allowances system'.

The SBA is available for eligible construction costs on qualifying, new, non-residential structures and buildings where all the contracts for the physical construction works were agreed after 28 October 2018. The relief is given at 2% a year on a straight line basis over 50 years.

Full details of the SBA have not yet been announced but its main features are expected to be:

- Only costs of buildings and structures intended for commercial activity qualify and relief is limited to direct construction costs, including demolition and land alteration.
- For mixed-use developments, the SBA will be given on the proportion of costs that relate to the business element.
- The relief will apply to the costs of new conversions or renovations.
- Structures and buildings include offices, retail and wholesale premises, walls, bridges, tunnels, factories, warehouses, hotels and care homes.
- There is no relief on the cost of land, or for work spaces in a home.
- Relief is limited to the original cost of construction or renovation regardless of ownership changes. There are no balancing charges or allowances.
- Claims can only be made when a structure or building first comes into use.
- Unclaimed relief cannot be carried forward and will be lost.

Expenditure that qualifies for plant and machinery (P&M) allowances will not qualify for the SBA. It remains important to identify all the costs of integral features of a building that qualify for P&M allowances, which are given at a higher rate than SBA.

AIA goes up, briefly

The 2018 Budget also included a temporary increase to the annual investment allowance (AIA).

Businesses will be able to claim 100% relief on qualifying P&M expenditure of up to £1 million a year – instead of the current limit of £200,000 – in the period 1 January 2019 until 31 December 2020. Many businesses have accounting periods that span the start and end dates, and the limit will then be calculated by apportionment.

For example, for the period 1 July 2018 to 30 June 2019, costs of up to £600,000 will qualify for AIA: six months at £200,000 a year (£100,000) and six months at £1 million a year (£500,000).

No more than £200,000 of expenditure can qualify in the period up to 31 December 2018, so timing is a crucial consideration. The calculation is similar for accounting periods spanning 31 December 2020, and businesses may need to ensure that major expenditure occurs before 1 January 2021.

Writing down allowance changes

The third main Budget change to capital allowances is a reduction in the special rate allowance from 8% to 6% from April 2019. The special rate applies to expenditure on long-life assets, thermal insulation, integral features in buildings, and cars with CO_2 emissions of more than 110g/km.

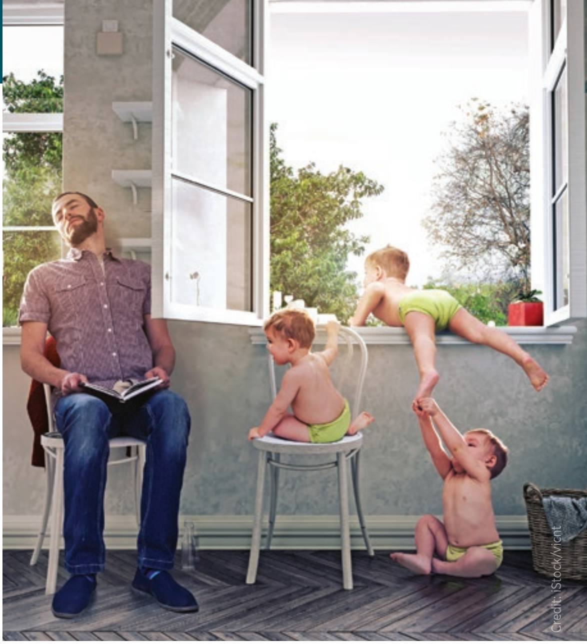
A hybrid rate will apply to expenditure in periods that span 1 April (corporation tax) or 6 April (income tax). There is no change to the 18% allowance on the main P&M expenditure pool.

Please get in touch if your business may be affected by these changes.

> *“Businesses will be able to claim 100% relief on qualifying plant and machinery expenditure of up to £1 million a year in the period 1 January 2019 until 31 December 2020.*

Child tax credit – three's a crowd?

There is no entitlement to the child element of child tax credit for a third or later child born on or after 6 April 2017. There are certain exceptions, some of which might not be that obvious. What's more, the entitlement rules have recently been relaxed.



The two-child restriction will apply for brand new universal credit claims from 1 February onwards regardless of your children's dates of birth, and the entitlement to universal credit is currently on the same basis. There is no restriction to childcare or to the disability element of tax credits.

Recent relaxation

Since 28 November 2018, the two-child restriction no longer applies to adopted children or to children who are looked after by friends or family, but not the child's parent or step-parent. This exception does not apply if you adopt a child from abroad.

Twins, triplets or more

If the first child of a multiple birth is either your first or second child, the child element will be paid for all the children born as part of the multiple birth. If you already have two children and a further pregnancy results in a multiple birth, you will receive the child element for all but one of the multiple birth children. For example, if you already have two children and then have triplets, you will receive the child element for two of the triplets.

> *"Since 28 November 2018, the two-child restriction no longer applies to adopted children or to children who are looked after by friends or family, but not the child's parent or step-parent.*

Grandchildren

If you are claiming for children and one of them has a child, you can claim for their child too. The claim continues until your child makes a claim in their own right or you are no longer responsible for your child.

Non-consensual conception

There is an exception for any child that was born as result of rape or other non-consensual conception. This could include children born within an abusive relationship, unless the claimant continues to live with the other biological parent.

Let us know if you require guidance.

Restricting entrepreneurs' relief

The qualifying conditions for entrepreneurs' relief (ER) have been tightened up and further changes will take effect in April 2019.

ER is given to individuals who dispose of all or part of a business, including shares in a personal company. Where a disposal qualifies for relief, up to £10 million of lifetime chargeable gains are taxed at a reduced rate of 10%. For disposals from 29 October, two new tests have been added.

Conditions and timing

Investors must now be a director or employee of the company, hold at least 5% of its ordinary share capital and associated voting rights, be beneficially entitled to 5% of the company's distributable profits and also 5% of its distributed assets in a winding up.

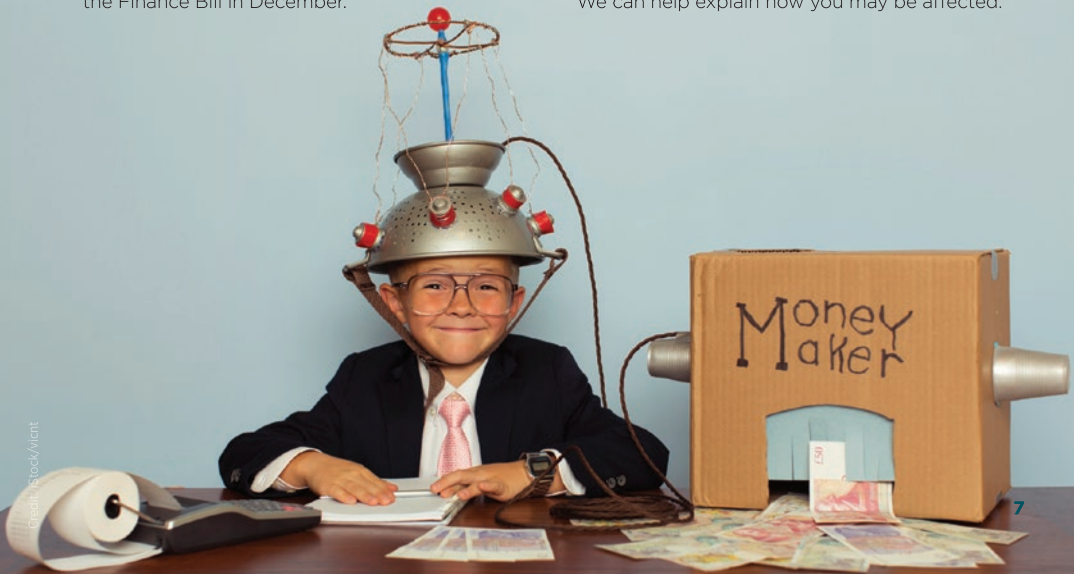
The additional profits and assets conditions may affect employees acquiring shares through enterprise management incentives (EMI), as these shares are often issued with restricted rights. However, an alternative condition, based on 5% of expected sale proceeds, was added to the Finance Bill in December.

Currently investors must meet the ER conditions throughout the 12 months up to the date of disposal, or the last day of trading if the business has ceased. But for disposals taking place after 5 April 2019, except where a business ceased before 29 October 2018, the minimum qualifying period increases to two years.

Another revision will benefit individuals who transfer a business to a personal company in exchange for shares. For disposals after 5 April 2019, the period of ownership before the transfer counts towards the two-year qualifying period.

Help is also provided for individual investors whose shareholdings are diluted to below the 5% qualifying threshold as a result of a fundraising issue of new shares after 5 April 2019. They will now be able to obtain relief for gains up to the dilution date.

We can help explain how you may be affected.



Credit: iStock/vicnt

Successful year for Lang Bennetts

2018 was a record year for Lang Bennetts Chartered Accountants with client numbers growing by almost 25 per cent and staff numbers increased by more than 10 per cent.

2018 also saw the firm in the media spotlight, having been selected as finalists in the British Accountancy Awards for the second consecutive year and, for the first time, as finalists in both the National Apprenticeship Awards and the Western Morning News Business Awards.

With ongoing emphasis on supporting continuing professional development, 2018 saw apprentices qualify as accountants and four apprentices successfully completed their next levels of professional training.

"It has been a very exciting 12 months for us and we're delighted with not only the accolades but, even more importantly, with the growth we've achieved through working hard for our clients and ensuring their prosperity," said partner Helen Hood. "The reputation of any company relies firmly on doing what it does well and I'm very proud of our team who continually strive to go the extra mile.

"Our aim is always to provide timely, proactive advice and I'm especially delighted with the feedback we get. We understand how important it is for clients to trust us to act in their best interests and to be able to talk in confidence whenever they need to. The amazing expertise we have in our growing tax department is also much appreciated by the businesses we work with."

"We also like to support the community we work in. Outside of work, we're delighted to have taken part in team events like Race for Life, Dragon Boats and Roc 5k to raise money for charity. We have held internal fundraising events with cakes and jumpers and are pleased to annually support our local foodbank."

Lang Bennetts now have 60 staff working in their Truro and Falmouth-based offices. For more information, visit www.lang-bennetts.co.uk

Lang Bennetts, Chartered Accountants

The Old Carriage Works
Moresk Road
Truro
Cornwall TR1 1DG
Tel 01872 272047

Bickland House
Bickland Water Road
Falmouth
Cornwall TR11 4SB
Tel 01326 375587

Website www.lang-bennetts.co.uk

Follow us on Twitter: @langbennetts

Registered to carry on audit work in the UK and regulated for a range of investment business activities by the Institute of Chartered Accountants in England and Wales.