TAX BULLETIN – May 2022

Welcome to our monthly Tax Bulletin. In this issue we cover a wide range of topics including tax relief for losses, capital allowances and property taxes. As usual contact us if you wish to discuss any matters further. (Content accurate as at 28.04.22)

TRADING LOSSES – CARRY BACK OR CARRY FORWARD?

In the March 2021 Budget, it was announced that the normal 1 year carry back for trading losses would be extended to 3 years. That means that many businesses that have made losses during the COVID-19 pandemic may be able to obtain a repayment of tax paid in that earlier 3-year period. This enhanced carry back applies to unincorporated businesses as well as limited companies and will provide a much-needed tax refund.

However, with the corporation tax rate increasing to 25% from 1 April 2023 for profits over £250,000 it may be more beneficial to carry the loss forward. Note that the marginal rate is 26.5% where profits are between £50,000 and £250,000 a year. So, there is a trade-off between a tax refund now and a possible bigger tax saving in the future.

For the enhanced carry back the company's loss-making accounting period must end between 1 April 2020 and 31 March 2022. For unincorporated businesses the trading loss must be incurred in either tax year 2020/21 or 2021/22.

For corporation tax purposes, it is no longer necessary to finalise the company accounts and file the CT600 corporation tax return to claim loss relief where the loss is no more than £200,000. HMRC will however require evidence of the loss to process the claim such as management accounts for the period.

SUPER DEDUCTION FOR PLANT & EQUIPMENT

The 130% super-deduction for companies that invest in new plant and machinery applies where the expenditure is incurred between 1 April 2021 and 31 March 2023.

Many companies recovering from the coronavirus pandemic have not had the resources to commit thus far and the war in Ukraine may have made them reluctant to invest until the political and economic situation stabilises. Thankfully the special tax relief announced in the Spring 2021 Budget will be available for expenditure up until 31 March 2023 potentially saving £247 for every £1,000 invested in new equipment.

It is hoped that the current £1 million Annual Investment Allowance (AIA) will continue to be held at that level once the super-deduction ends. Note that the AIA is available to unincorporated businesses as well as limited companies and for second hand as well as new equipment.

END OF TAX YEAR PAYROLL PROCEDURES

As the 2021/22 tax year has now ended, employers need to carry out the following end of year procedures:-

- Provide employees with their P60 annual summaries by 31 May 2022,
- Prepare forms P11D for employees' expenses and benefits by 5 July 2022,
- Update employees' payroll data for 2022/23, in particular their new tax codes, and
- Update their payroll software for 2022/23 if they haven't already done so.

If Styles look after your payroll, then you can rest assured that all the above have been dealt with or are in hand.

REIMBURSE PRIVATE FUEL FOR YOUR PRIVATE CAR?

Unless there is full reimbursement of fuel provided for the private use of a company car there is a benefit in kind charge based on a fixed figure of £24,600 which is multiplied by the CO2 emissions percentage that is used to calculate the company car benefit for that vehicle. For a high emission car that percentage can be as high as 37%, resulting in a benefit in kind charge of £9,102 and an income tax bill of £3,640.80 for a higher rate taxpayer. Even with current fuel prices, that would be an awful lot of private mileage, so the employee should consider reimbursing the employer using the HMRC approved mileage rates by 5 July 2022 for 2021/22.

ANNUAL TAX ON ENVELOPED DWELLINGS (ATED)

The Annual Tax on Enveloped Dwellings (ATED) was introduced in April 2012 and is charged where certain residential properties are owned within a corporate structure. This tax not only catches UK properties owned by wealthy oligarchs via offshore companies but also applies to UK resident companies. Originally the charge only applied where the value of the property exceeded £2 million but that threshold has been subsequently reduced to £500,000.

The charge for 2022/23 starts at £3,800 and rises to £244,750 where the property value is more than £20 million.

Properties need to be revalued every five years and the latest valuation date is 1 April 2022. With significant increases in property values in recent years this may mean that more companies may be required to complete an ATED return.

There are numerous exemptions and reliefs from ATED but companies still need to submit an ATED Relief Declaration Return.

MAIN ATED RELIEFS

The main situations where there is a relief from ATED are where the property is:-

- let to a third party on a commercial basis
- being developed for resale by a property developer
- owned by a property trader as the stock of the business for the sole purpose of resale
- a farmhouse occupied by a farm worker or a former long-serving farm worker

POSSIBLE CHANGES TO SDLT MULTIPLE DWELLINGS RELIEF

HMRC have been consulting on changes to the relief from stamp duty land tax (SDLT) when two or more properties are acquired at the same time. This indicates that a change in the rules is imminent, and purchasers should take advantage while the relief continues to apply.

Currently where at least two dwellings are purchased in a single transaction, or as part of a series of linked transactions between the same vendor and purchaser, the purchaser can choose to have the rate of SDLT determined by the average value of the dwellings purchased, rather than their combined value. Purchasers can therefore benefit from multiple nil-rate and lower percentage bandings, significantly reducing the amount of SDLT payable. Multiple dwellings relief doesn't apply automatically; it must be claimed in a land transaction return and your solicitor may not be aware of this important relief.

DIARY OF MAIN TAX EVENTS
MAY/ JUNE 2022

Date	What's Due
31/05	Last date or giving form P60 for 2021/22 to each relevant employee who was working for you on 05/04/2022 together with details of payrolled benefits in kind
15/06	Deadline for US expats to file 2021 US Federal tax returns if they have not obtained a filing extension

Content accurate as at 28 April 2022

Please contact a member of our team if you would like to discuss any of the issues raised.

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