McMillan & Co LLP
Chartered Accountants

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NEWSLETTER

Jointly held property: do you need to make an election?

- When a property is owned jointly by a married couple the tax rules automatically treat each individual as being entitled to a half-share of the income arising from the property.
- When jointly-held property is sold each spouse will be taxed on a half-share of any capital gain or capital loss arising.
- This 50:50 treatment applies to any type of property from bricks and mortar to moveable assets such as bank and building society accounts.

When a married couple hold different beneficial interests in a property, or where one spouse holds the property in his or her name but the property is also held for the benefit of the other, they will need to make a Declaration of Trust to prove their different beneficial interests in the property.

- They are also required to make special election to HMRC to notify that a different income and capital sharing ratio (other than 50:50) will apply.
- Spouses will also need to make this election when they acquire the asset or make any changes at the beginning of any tax year that alter their sharing ratios from 50:50.

When an unmarried couple own property jointly the tax rules do not provide an automatic division of profits or gains for tax purposes, so a couple can split their property without the need to make an election to HMRC.

- It may still be a sensible precaution to have a Declaration of Trust in place when property is held jointly or if it is held in the name of one, but on behalf of the other. This proves to HMRC the respective interests of the parties in the property and is also sensible for will planning.

Tax Calendar

January 2012

5 End of tax quarter

19/22 Monthly PAYE/Class 1 NICs and CIS payments due

Quarter 3 PAYE/NICs payment deadline (for quarter ended 5 January)

19th for non-electronic payments, 22nd for online payments

31 Deadline for:

Online submissions of Self Assessment tax return for tax year ended 5 April 2011 - £100 first penalty for late filing even if no tax is due or tax due is paid on time.

Paying 2010/11 Self Assessment 'balancing payment'

CGT payment due for 2010/11

First Self Assessment payment on account for 2011/12

Half yearly class 2 NIC payment due

February 2012

19/22 Monthly PAYE/Class 1 NICs and CIS payments due

19th for non-electronic payments, 22nd for online payments

28 First 5% penalty surcharge on any 2010/11 outstanding tax due on 31 January 2012 still unpaid

March 2012

19/22 Monthly PAYE/Class 1 NICs and CIS payments due

19th for non-electronic payments, 22nd for online payments

April 2012

5 End of 2011/2012 tax year.

Last day to use up your annual exemptions for capital gains tax, inheritance tax and ISA's

19 Monthly PAYE/Class 1 NICs and CIS payments due

Quarter 4 PAYE/NICs payment deadline (for quarter ended 5 April)

Interest will run on any unpaid PAYE/NIC for the tax year 2011/12

30 Additional daily payments of £10/day up to a maximum of £900 for failing to file self assessment tax return due on 31 January 2011

Self-Assessment Penalties

The deadline for submitting the 2010/11 tax self -assessment tax return is 31 January 2012. There are two types of penalty to be wary of:

1. Late filing penalties

- A £100 tax penalty now applies if a return is filed late, regardless of whether any tax is due.
- If a return becomes 3 months late, an automatic £10 daily penalty applies (up to £900 maximum)
- If a return is more than 6 months late, the penalty is the higher of 5% of tax due or £300.

2. Late payment of tax

- The balance of any tax outstanding for 2010/11 is payable on 31 January 2012.
- A 5% penalty surcharge applies where tax remains outstanding for more than 30 days
- Further surcharges apply when tax remains outstanding for more than 3 months and then more than 6 months.

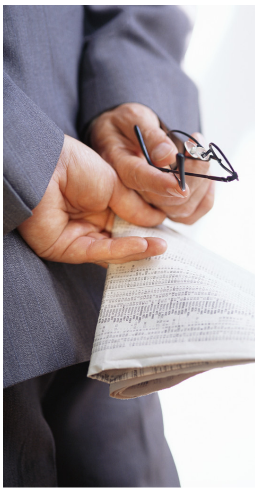
All change! Disappearing tax reliefs and online filing changes before 5 April 2012

Under changes proposed in the 2012 Finance Bill some potentially valuable tax reliefs are due to be withdrawn by HMRC. These include:

- From 1 March 2012: for distributions made when a company is dissolved, the amount of income that can be distributed and receive capital gains tax treatment is restricted to just £25,000.
- From 24 March 2012: for first time buyers, they will no longer be exempt from Stamp Duty Land Tax on house purchases of up to £250K
- From 31 March 2012: all VAT registered taxpayers will be required to file their VAT returns online. There is a limited exemption for these who refuse to file on religious grounds. In cases of dire emergency HMRC will allow returns to be filed by telephone call.

Further changes and reliefs will be ending at the end of the next tax year, we will cover these in future newsletters.

PAYE: employers are you ready for more changes?



There have been some really major changes to the Pay As You Earn (PAYE) system over recent years:

- All employers are currently required to file their P35 Annual returns online.
- From April 2011 small employers were expected to file P45s and P46s online. The first fines for failing to do this apply from 6 January 2012.
- April 2011 also saw the introduction of late payment penalties for PAYE.

By April 2013 all employers will need to think about obtaining new software in order to cope with further changes - real time online filing. HMRC is just about to start trials on a project called Real Time Information for PAYE (RTI).

Under RTI payroll data will be automatically relayed to HMRC online using the employer's software. It is planned that it will, in-time, abolish the need for employers to complete P45s and P46s and it will help resolve problems for HMRC in administering the new Universal Tax Credit.

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