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## Making the most of private residence relief

Private residence relief allows an individual to sell his or her main home for more than they paid for it, without triggering a liability to capital gains tax (CGT). However, if you are in the position of owning more than one property, you can make an election to ensure that the exemption is as beneficial to you as possible. Furthermore, if you delay selling your old home when you move into a new one, the exemption could continue for up to three years.

### Making an election

Each individual can only have one main residence for the purposes of the relief at any one time, even if they divide their time between several properties (and the rule is extended to one residence per married couple or civil partnership). Therefore, the taxpayer can elect that one property is treated as the main residence for CGT purposes. The time limit for making or varying an election is two years from the date that you first have more than one home, or that there is a change in the properties you occupy as your homes.

However, acknowledging that people may have bought and occupied their new home before being able to sell the old home, there is an extension to the exempt period which allows you additional exemption of up to 36 months before you sell the old home. There is a further extension to the exempt period, covering certain periods of absence (for example, if you were sent to work abroad), as long as you occupied the property as your main home before and after the absence, and do not occupy a property in the meantime which could qualify as your main residence.

### Example

Jim bought 32 Albion Street on 1 August 2000. He occupied it as his only home until 1 August 2003, when he moved into short-term rented accommodation in Germany, where his employer had sent him to work. Jim returned to the UK on 1 August 2005, moved back



into 32 Albion Street and lived there until 1 August 2008. On that date Jim moved into a new home – 12 New Road – but he was not able to sell the Albion Street property straight away. Jim sold 32 Albion Street on 1 August 2009 and had no tax to pay – his exempt period was made up of:

- 2000 – 2003** Exempt, only residence
- 2003 – 2005** Exempt, absent through working abroad, no other potential exempt residence
- 2005 – 2008** Exempt, only residence
- 2008 – 2009** Exempt, extended exemption (maximum of three years)

### Residential Lettings Exemption

If a property has been occupied as your only or (elected) main home and at some other time in the period of ownership it has been let for residential use, the Residential Lettings Exemption will reduce your capital gain by up to £40,000 per person (so up to £80,000 for two joint owners in addition to the main residence exemption).

The main residence election is a valuable tool in minimising the tax you pay on your home(s). If you own more than one property, or are thinking of buying a second home or letting your old home next time you move, we can help you make sure that the relief is put to the best possible use. Please speak to us about your options.



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# The new rules on VAT

Some significant changes to the Value Added Tax (VAT) regime take effect in early 2010. Here we outline some of the key measures that could affect you and your business.

## Standard rate VAT reverts to 17.5%

In January 2010, the temporary reduction in the standard rate of VAT is set to come to an end. The lower rate of 15% was introduced on 1 December 2008, with the aim of boosting consumer spending during the economic downturn.

### Applying the new rate

The rate of VAT that businesses charge depends on the date that goods or services are supplied. For VAT purposes this is the date that goods physically change hands (or a service is completed); or payment is received; or an invoice is issued – whichever is the earliest. The rules are modified in certain situations, including when there is a change in standard rate VAT.

For any sales of standard-rated goods or services that take place on or after 1 January 2010 businesses should charge VAT at the newly reinstated rate of 17.5%. This means that businesses currently calculating their VAT using the VAT fraction of 3/23 should use the new fraction of 7/47 from 1 January 2010.

### Implications for retailers

For businesses such as retailers and restaurants, which principally make cash sales to customers not registered for VAT, the new rate will apply to all takings received on or after 1 January 2010, although for certain businesses trading beyond midnight including pubs, restaurants, clubs and telephone companies, the 15% rate will apply until 6am on 1 January.

The main exception to the rule will be where a customer pays for something they have taken away (or the supplier has delivered) before 1 January 2010. In this case, the sale took place before 1 January 2010 and VAT must be accounted for at the rate of 15%. Electronic tills, especially those set up to provide VAT information, will also need to be adjusted.

### Planning opportunity

Anti-forestalling legislation has been introduced to counter attempts to issue invoices or receive payments before 1 January 2010, even

though delivery of goods or services is not due to take place until after 31 December 2009. This involves a supplementary VAT charge of 2.5%. However, there are certain conditions under which the supplementary charge will not apply.

Where a supplier and customer are not connected with each other and the supplier is not funding the transaction, it is possible for the supplier to raise a VAT invoice up to 31 December 2009 of an amount up to £100,000 plus VAT at 15% and confirm a payment date falling within the following six months. This is really only relevant where the customer cannot reclaim all of the VAT. The supplier would have to account for the VAT on the return covering the invoice date, unless operating cash accounting.

### Other situations

There are many other situations where special rules apply. Please contact us for further advice.

## Cross-border supplies

On 1 January, the first set of new regulations relating to cross-border supplies of services comes into force. The changes affect those businesses supplying or receiving services to or from overseas businesses, those supplying goods to other EC countries, and those reclaiming VAT incurred in another country.

- **Place of Supply Rules** — most services provided to business customers will now be treated as supplied in the country where the business customer, not the supplier, is established.
- **Time of Supply Rules** — the time of supply will be governed primarily by when a service is performed rather than paid for, with a distinction made between single and continuous supplies.
- **EC Sales Lists (ESLs)** — ESLs are now required for businesses that supply services to which a reverse charge applies in the customer's Member State. Businesses supplying goods may need to prepare monthly rather than quarterly ESLs, where the value exceeds certain thresholds. New timescales will also apply.
- **New online refund procedure** — all claims for cross-border refunds will be dealt with via a new electronic system.

*The information in this article was correct at the time of printing and does not take into account announcements made in the Pre-Budget Report.*

If you have any questions regarding the changes to VAT, or would like further information on any of the matters raised here, please contact us.



## Missed the paper tax return deadline?

Paper tax returns filed after 31 October 2009 may attract an initial penalty of £100, with further penalties possible where the return remains outstanding. However, if you have missed this deadline, we may still be able to file your return electronically to avoid incurring the £100 penalty unnecessarily.

For the majority of people e-filing is beneficial – it means that there is little or no chance of returns being mislaid, processing being delayed by backlogs in HMRC's offices, or repayments being postponed (unless a claim is selected for additional security checks).

We cannot over-emphasise how important it is to let us have your tax return information and to discuss your tax payments with us in good time – for most people returns must be filed online by **31 January 2010**, and typically you must be ready to pay any outstanding tax for 2008/09 and the first payment on account for 2009/10 by the same date.

If you would like more information on how we can help you prepare your tax return, please contact us – but don't leave it too late!

# Contingency planning: is your business covered?

Research suggests that many businesses do not have in place proper contingency plans for dealing with potential disasters. While the current economic climate may mean that resources are stretched for many businesses, at the same time the global crisis also serves to demonstrate the importance of planning ahead in order to protect your business from the impact of unexpected events.

From global pandemics to natural disasters, employee fraud, or the loss of key data, an unexpected incident can cause significant problems for a small firm. If adequate protective measures are not in place, they could even spell the end of the business.

## Minimising the risks

While all business ventures involve a certain amount of risk, you should never expose your business to risk unnecessarily. Contingency planning allows you to protect your business by quantifying the risks and putting in place specific procedures for dealing with them.

An unexpected event could affect any aspect of your business, so you should begin by compiling a list of the key assets your business needs in order to continue operating. These might include: premises and vehicles; stock; plant and machinery; data and IT systems; intellectual property; and staff resources. Then consider all of the potential events that could affect your business, from floods and fires to bouts of illness. Rank them according to their likelihood of occurrence, and the level of impact they would have on the business.

## Planning for recovery

Once you have determined the risks, you need to set out a strategy to deal with them. Begin with those scoring the highest in terms of likelihood and level of impact. You should involve members of staff from all areas of the business, and make sure that everyone in the firm understands their own specific role.

When you have drawn up your plan, it should be rigorously tested. Thereafter, the plan should become part of your standard operating procedure. Remember to train your staff on the procedure and update your contingency plan on an ongoing basis to reflect any changes within the business.

### ✓ Top tips for averting disaster

**Have a 'clear desk' policy** — making sure that working areas are kept clean and free at the end of the day will help to reduce the risk of fire and flood damage, while also improving security

**Hold regular staff briefings** — asking staff to update each other regularly on their current projects will assist them in covering each other's roles in the event of a disaster or a bout of illness, and will improve communication

**Read the small print** — check that you have the right type and level of insurance cover, including business interruption insurance and key

personnel cover, and that you are aware of any exclusions

**Be flexible** — if an outbreak of illness occurs, consider allowing staff to work from home to minimise the risk of infection

**Finally, act now** — it is all too easy to put off your planning, but remember that the whole point of contingency planning is to protect your business against an unexpected event, which could occur at any time!

Contingency Planning Checklist		
Consider the following statements, to help determine how well your business is protected.	Yes	No
1. Our contingency planning covers all areas of our business		
2. We have access to alternative premises and equipment in an emergency		
3. We have investigated alternative suppliers		
4. Staff are trained in procedures and have access to an emergency contact list		
5. IT and information systems are fully backed up and protected, with copies kept in a separate location		
6. Important equipment and records are kept away from high risk areas (eg away from the floor, or water pipes)		
7. Employees understand our disciplinary procedures and only key personnel have access to sensitive data		
8. Staff can cover each other's roles in an emergency situation		
9. Our insurance policies are up-to-date and cover our needs		
10. We review and update our contingency plans at least once a year		
Any 'no' answers indicate an area where your contingency planning could be improved.		

Taking action now to minimise the risks to your business will help to ensure that you are able to continue trading through a period of difficulty, and that recovery from an emergency incident is swift and efficient, with losses kept to a minimum.

# Taxpayers warned over HMRC 'tax rebate' scam

Taxpayers are being advised to be wary of emails purporting to be from HM Revenue & Customs or HM Treasury, which inform individuals that they are entitled to a tax rebate.

The messages come from a variety of different email addresses which are seemingly Government-related, and invite taxpayers to complete a form (in some cases an online form) with their personal details, including credit card information.

HMRC states that it would not inform customers of a tax rebate via email, and is advising taxpayers not to visit the website contained in some of the emails, or to surrender any of their personal or payment details.

The messages form part of a series of HMRC-related 'phishing' scams. As with all such correspondence, taxpayers are advised to remain vigilant and not to disclose any personal or payment information unless they are certain that the source is legitimate. Suspicious HMRC emails can be forwarded to [phishing@hmrc.gsi.gov.uk](mailto:phishing@hmrc.gsi.gov.uk).



# Business Round-Up

## Stamp duty 'holiday' comes to an end

The temporary stamp duty 'holiday' is set to come to an end on 31 December 2009.

Residential properties worth up to £125,000 are normally exempt from stamp duty land tax. However, in September 2008 this threshold was temporarily extended to apply to residential properties worth up to £175,000, with the aim of boosting the struggling housing market.

With effect from 1 January 2010, the stamp duty rates for the transfer of residential properties are as follows:

Value up to £125,000	nil
Over £125,000-£250,000	1%
Over £250,000-£500,000	3%
Over £500,000	4%

*(Special rules may apply for non-residential property, residential property in disadvantaged areas, and zero-carbon homes.)*

*The information in this article was correct at the time of printing and does not take into account announcements made in the Pre-Budget Report.*

## Common online filing facility launched

HMRC and Companies House have announced plans to adopt a common approach to filing company accounts online.

Companies House will accept company accounts in the new data format Inline XBRL (iXBRL), which is the format in which all company tax returns must be submitted to HMRC from 2011, for those accounting periods ending after 31 March 2010.

The move is intended to reduce administrative burdens on businesses.

Companies House will be introducing their iXBRL service for unaudited full accounts by the summer of 2010, and will thereafter continue to extend their iXBRL capability for all the main types of account.

Meanwhile, HMRC's new iXBRL service for company tax returns is available as from November 2009.

## New paternity rights for fathers

The Government has unveiled plans to give fathers the right to take six months' paternity leave.

Under the proposals parents will be entitled to share a year of parental leave to care for their newborn child, with fathers allowed to take six months off after the mother's first six months of leave.

The changes will take effect for parents of children due on or after 3 April 2011.

Business groups have given a mixed response to the news, with some bodies suggesting that the new rules could add to the burden on small firms. However, the Government insists that the new rules will have a 'minimal' impact on businesses.



## Web Watch

### Essential sites for business owners

[www.flexibility.co.uk](http://www.flexibility.co.uk)  
News, views and resources relating to flexible working

[www.supply2.gov.uk](http://www.supply2.gov.uk)  
Browse thousands of public sector procurement opportunities

[www.shell-livewire.org](http://www.shell-livewire.org)  
Online community for entrepreneurs starting a business

[www.nsandi.com](http://www.nsandi.com)  
Discover whether you have an unclaimed Premium Bond prize



## Reminders for your Winter Diary

### December 2009

**30** Last day to file your 2009 Tax Return electronically if you wish to have a 2008/09 balancing payment of less than £2,000 collected through your 2010/11 PAYE code.

**31** Last day for non-EC traders to reclaim recoverable UK VAT suffered in the year to 30 June 2009.

End of relevant year for taxable distance supplies to UK for VAT registration purposes.

End of relevant year for cross-border acquisitions of taxable goods in the UK for VAT registration purposes.

End of CT61 quarterly period.

Filing date for Corporation Tax Return Form CT600 for period ended 31 December 2008.

### January 2010

**1** Due date for payment of Corporation Tax for period ended 31 March 2009.

Standard rate VAT is set to revert to 17.5%.

**14** Due date for income tax for the CT61 quarter to 31 December 2009.

**19/22** Quarter 3 2009/10 PAYE remittance due.

**31** First self assessment payment on account for 2009/10.

Capital gains tax payment for 2008/09.

Balancing payment – 2008/09 income tax/Class 4 NICs.

Last day to renew 2009/10 Tax Credits.

Deadline for amending 2007/08 Tax Return.

Last day to file the 2009 Tax Return online.

### February 2010

**1** £100 penalty if 2009 Tax Return not yet filed. Additional penalties may apply for further delay. Interest starts to accrue on 2008/09 tax not yet paid.

**2** Quarterly submission date of P46 (Car) (for employees whose car and/or fuel benefit has changed in quarter to 5 January).

**14** Last date (for practical purposes) to request NIC deferral for 2009/10.

**28** Last day to pay any balance of 2008/09 tax and Class 4 NIC to avoid an automatic 5% surcharge.