This month our Tax talk newsletter includes: a reminder of issues to deal with during 2018; how to make the most of tax-free charitable donations; a fresh look at the sole trader vs limited company debate; an outline of strategies to reduce tax and NIC payable when employers pay for private fuel; a prompt to consider how you will pay for long term care in the future; and CGT planning tips for 2017-18. Also, take a look at our **What's on** section for details of our upcoming events.

Look out for our new look and name next issue

Our next issue (due out in April) will introduce you to our new look bimonthly e-newsletter, ***Pathfinder*** *– personal tax and wealth update*, which replaces **Tax talk** – do look out for the change of name! **Please** click here **to read more about our new *Pathfinder* publications and to register to receive your copy.**

Pathfinder *– personal tax and wealth update* will provide you with the succinct personal tax insights you currently receive in **Tax talk**, along with comment on personal wealth and planning issues – all in a new look.

Other ***Pathfinder*** publications include ***Pathfinder*** *– Business update*, for those running private businesses, and ***Pathfinder*** *– Charity and not for profit update*, aimed at those involved in managing charities and not for profit organisations.

To learn more about *Pathfinder* – personal tax and wealth update and register your interest in receiving this publication, as well as the other *Pathfinder* publications we are launching, please click here.

Our Spring Statement commentary and analysis

As usual we will be producing commentary and analysis during and after the Spring Statement (taking place on **Tuesday 13 March**) to ensure you are up to date on how the announcement will affect you. Our experts will provide Twitter and LinkedIn updates and sector focused website articles - in addition to an electronic summary which will be available to download from our website the day following the announcement.

If you would like to receive an email which includes all of the updates produced on the day please subscribe to 'Budget and Spring Statement news' here.

Please keep an eye out for our web updates and feel free to use our contact form, or Tweet us, with any questions about the Spring Statement.

Your planning opportunities for 2018

Let us hope that 2018 presents opportunities to build our business interests and improve the financial position of our families. Certainly, there were many changes last year, not least the ongoing implications of the Brexit vote, that have proved to be challenging *and not only for the politicians.*

A reminder, as we look forward, that our actions in the future will be dictated to some extent by past changes. We have listed below just a few of these challenges, some of which we reported on last year, and many of which will require action on our part across this year.

If you are in business:

- Deal with your obligations, if any, to comply with the General Data Protection Regulation – see our factsheets by clicking on the following links: GDPR: business risks & benefits / Implementing GDPR.
- Deal with your obligations, if any, to comply with the Criminal Finances Act 2017.
- Review your management accounts before the end of your current account's year to make sure that there are no

changes required before the end of the trading year. From a tax planning point of view this is essential as once your trading year or tax year end passes opportunities to save tax may be permanently lost.
- Are you aware of your obligations to pay tax (VAT, corporation tax, income tax or other national insurance liabilities) during 2018? At the end of this month your self-assessment dues for 2016-17 and payment on account for 2017-18 fall for payment.
- Are you in the most effective VAT scheme for your size and type of business?
- If you are still recording your accounts on spreadsheets or handwritten records, have you considered using internet based accounts software? Come the day we are required to upload our accounts data to HMRC, under their Making Tax Digital program, using a computerised system that links with the tax office IT will make the job less of a chore.

For individuals:

- Look at salary sacrifice opportunities especially if your taxable income for 2017-18 will exceed £100,000 for the first time. Any strategy that shifts income into tax-free benefits could save you marginal tax at 60% if you have earnings between £100,000 and £123,000.
- Parents claiming child benefit should be wary if one partner's earnings are likely to exceed £50,000 for 2017-18. A high income child benefit charge may apply. This could mean benefits being repaid to HMRC and the possibility that you may have to register for self-assessment for the first time.
- Check out your eligibility to pay more into your pension fund before 6 April 2018.
- Have you fully utilised your tax allowances for 2017-18? For example, your personal tax allowance £11,500; the capital gains tax exempt amount £11,300; and inheritance tax tax-free gifts allowances.
- Have you taken advantage of the £20,000 ISA limit?

To review any of these or other planning opportunities for 2017-18 please contact your usual Kreston Reeves adviser here or on +44 (0)330 124 1399. Don't forget that once the year end passes any likely planning points that you might have benefitted from may be permanently lost.

Saving as you give - tax-free charity donations

It is sometimes said that charity benefits the giver more than the receiver. With this in mind and the end of the tax year less than two months away let's consider how we can make the most of tax-free charitable donations.

Gift Aid

Most donations we might make will be straightforward…i.e. money and with a Gift Aid declaration in place and an appropriate tax return entry a higher or additional rate taxpayer can convert their generosity into a tax saving. This can achieve a very welcome result for the charity concerned.

Cuthbert (a property developer with income of £200,000 p.a. and a committed dog lover) gave £10,000 to the Dogs Trust this month. This entitles the charity to recover £2,500 of Cuthbert's income tax from HMRC and Cuthbert can claim additional rate tax relief on the grossed up donation of £12,500…resulting in a tax saving in the current year of £3,125. So a net spend of £6,875 by Cuthbert will give the Dogs Trust £12,500…an 82% uplift courtesy of HMRC.

Special cases

Even greater uplifts can be achieved where a donor is close to a tax cliff edge (where marginal income tax rates of 60% can be experienced). Common examples are where a donor's income level is just in excess of £100,000 (where Personal Allowances are lost) and £50,000 (where child benefit is at risk).

In a case such as this a net donation from a donor of (say) £500 can result in new funds for the chosen charity of £1,250….a 150% uplift.

It's even possible in some cases to treat a donation as having been made in the previous tax year if there's an advantage in doing so.

Other opportunities

Donors can also gain tax advantages from:

- Gifting quoted shares (or property) to charity…no tax bill on any inherent gain and income tax reduction based on value of asset gifted
- Acquiring items via a charity auction…but only in certain circumstances

Tax savings can also accrue when benefitting a charity in your Will...but that's for another time!

So whilst having a big heart can sometimes result in an empty wallet there is often a silver lining when that generosity is directed toward a charity.

Please speak with your usual Kreston Reeves adviser here for a more personalised analysis of the impact of any future charitable giving or else contact Clive Relf here or on +44 (0)330 124 1399 for further details.

Sole trader or incorporated?

From April 2018, the £5,000 tax-free dividend allowance is reducing from £5,000 to £2,000.

Does this mean that converting from self-employed to a limited company arrangement to save tax and national insurance contribution (NIC) is no longer a viable option? Readers who have adopted this strategy will have likely seen a reduction in taxes due thus far, but the partial loss of the dividend allowance will reduce overall savings that can be made.

However, in most cases benefits will continue to accrue albeit at a reduced rate, and if profits are retained in the company, rather than withdrawn as salary or dividends, these benefits could still be significant.

- A company paying tax at 19% on its taxable profits can retain

81% to improve reserves and fund investment.
- A sole trader or partnership, paying income tax at 40% or 45% can only retain at best 60% or 55% of taxable profits.
- Sole traders or partnerships who are taxed at the basic rate of 20% will still be required to pay additional NIC on their profits and will not be able to retain funds at the same rate as a company.

We will be keeping an eye on the numbers for clients who have adopted this strategy and will discuss their options when we review their tax position during 2018 - but if you would like to talk about this in the meantime please speak with your usual Kreston Reeves adviser here or Kay Mind here or on +44(0)330 124 1399.

Does your employer still pay for your private fuel?

It is worth repeating our suggestion that highlights the cash benefit to company car drivers and their employers, of reimbursing the cost of fuel provided for private motoring. The rates have been updated for 2017-18.

Since the tax on private fuel provided with company cars is so high, many employers have an arrangement whereby they no longer pay for private fuel. In many cases this means that the employee must reimburse the employer for private fuel included in petrol bills paid by the employer.

Consider the following example for 2017-18:

If your private mileage is currently 560 miles a month, and you drive a 1900cc diesel engine car, the rate per mile to cover fuel charges as quoted in the latest rates published by HMRC is 11p per mile. Accordingly, you should repay £61.60 a month to your employer.

Based on the above example, if the vehicle's list price when new was £25,000, and the car benefit charge rate was 28% (based on a 130g/km CO2 rating) the benefit in kind charge for the year would be £7,000. With no repayment of private fuel, there would also be a £6,328 car fuel charge. Both these amounts would be added to your taxable income for the year. If you were a higher rate tax payer the car fuel charge would cost you £2,513.20 a year in additional tax (£6,328 x 40%). This amounts to £210.93 per month.

If your actual private mileage proved, on average, to be 560 miles a month, you would therefore save £149.33 per month (£210.93 - £61.60).

Employers will also benefit as they will no longer be subject to a national insurance charge on the amount of the car fuel benefit. In the above example, it would reduce national insurance contribution (NIC) by £873.26 (£6,328 x 13.8%).

It is worth crunching the numbers. Obviously, the lower your private mileage, the more likely a repayment system will save you money, but you will need to act before the 5 April 2018.

To discuss this further please speak with your usual Kreston Reeves adviser here or Kay Mind here or on +44 (0)330 124 1399.

Capital gains tax opportunities

This is also an appropriate time of the year to consider your capital gains tax (CGT) position if you have already disposed (or are considering a disposal) of an asset subject to CGT before 6 April 2018.

Most of our readers will be aware that they can make chargeable gains of up to £11,300 in the tax year 2017-18 and pay no CGT. This exemption cannot be transferred to a future tax year or carried back to a previous tax year if it is not utilised.

Many will also remember that it is no longer feasible to sell shares before 6 April 2018 to crystallise a CGT loss or a gain that is covered by the above exemption if those shares, or part of them, are reacquired within 30 days of the disposal – this sell and buy-back activity is often described as 'bed and breakfasting'.

However, it is still possible to reacquire holdings, within the 30 days period, if you use an ISA or self-invested personal pension (SIPP) to make the buy-back.

Transfers of chargeable assets for CGT purposes are exempt between spouses and civil partners. Also, the annual exemption is available to both parties. This combination means that couples may be able to share the gain on a disposal of assets and reduce their overall CGT charge.

This strategy, of transferring partial ownership to a spouse, can also reduce an overall CGT charge if the transferring partner/spouse is due to pay CGT at the higher 20% or 28% rate (as their gains fall to be taxed in the higher rate tax band) and the receiving partner/spouse would only be liable to pay CGT at the lower 10% or 18% (as their share of a transferred gain would fall into their free basic rate band).

The 10% and 20% rates apply from April 2016, but do not apply to disposals of residential property or carried interest – for these latter items, disposals are taxed at 18% to 28%, dependent on where the gains sit in the basic or higher rates bands.

And don't forget, CGT is assessed and payable as part of your self-assessment. Any tax payable for 2017-18 will be due for payment 31 January 2019. On the same day you will also have to pay any other underpayment of income tax for 2017-18 and your first payment on account for 2018-19.

If you own assets that are subject to CGT on disposal and you, and possibly your spouse, are struggling to fully utilise your CGT annual exemption, or you would like to discuss ways to minimise any CGT payable, please speak with your usual Kreston Reeves adviser here or Nigel Moon here or on +44 (0)330 124 1399 to discuss your options.

Paying or managing care fees - what ever happened to the Care Cap?

The Government had previously stated that the 'Care Cap' introduced in the Care Act 2014 would not be implemented until 2020. This made forward planning to cater for care fees particularly difficult. Many wondered if this would mean it would, in effect, be kicked into the long grass and quietly abandoned.

Wonder no more!

The Care Cap will now NOT come into effect in 2020 or indeed at all.

In a Parliamentary Statement in the House of Commons at the end of last year, Jackie Doyle-Price, the Parliamentary Under-Secretary of State for Health, in response to an Opposition Day Debate on social care, gave more detail about the new Green Paper and the proposed stakeholder engagement.

She made the following statement: *"The Prime Minister has been clear that the consultation will include proposals to place a limit on the care costs that individuals face. To allow for fuller engagement and the development of the approach, and so that reforms to the care system and how it is paid for are considered in the round, **we will not take forward the previous Government's plans to implement a cap on care costs in 2020**. Further details of the Government's plans will be set out after we have consulted on the options. The Green Paper will focus primarily on reform of care for older people, but will consider elements of the adult care system that are common to all recipients of social care."*

This development will doubtless raise further concerns for those currently paying care fees and for those who have the responsibility of managing the care fees of others, perhaps by acting as Attorney or deputy. Typically, a key concern is the position on depletion of funds and the real possibility of having to find alternative, less costly, care accommodation.

As a starting point, it is important to understand when an individual is required to fund care costs and when it is the responsibility of the NHS to provide funding and what sources of funding might be available.

Paul Howson, Chartered Financial Planner and Later Life specialist at Kreston Reeves is a fully authorised member of SOLLA (Society for Later Life Advisers) and is available to discuss this and associated areas of financial planning. Please contact Paul on 0127 768 231 or email Paul here.

What's on

Please see below for information on our upcoming events:

Events

Book your place on one of our summer charity seminars

Join us for one of our charity update seminars, which next year will be taking place in three locations; London, Kent and Sussex. The seminars will cover a variety of topics which we will share with you soon.

The seminars will take place in the following locations and on the following dates:

- **Thursday 28 June** - Hilton, Maidstone
- **Thursday 5 July** - Roffey Park, Horsham, West Sussex
- **Wednesday 11 July** - Bakers Hall, London

Further details will be available on our website here in due course.

For more information, or to register your interest in attending, please contact Steph Dobson at events@krestonreeves.com or phone +44 (0)330 124 1399.

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