K MAGILL & COMPANY
CHARTERED ACCOUNTANTS

NEW YEAR, NEW OPPORTUNITIES

In his Spring 2021 Budget the Chancellor announced that there would be 8 "Freeports" in England with generous tax breaks to encourage businesses to set up and invest in those areas. The devolved governments will also be announcing locations in Scotland, Wales and Northern Ireland in due course.

The proposed locations of the freeports can be found here: https://www.gov.uk/guidance/freeports#where-are-they-located

SUMMARY OF FREEPORT TAX ADVANTAGES

The main tax and customs duty advantages of locating in a designated freeport area are as follows:-

- SDLT exemption on the purchase of land and buildings in the area
- 10 year write off of the cost of constructing or renovating commercial property
- Enhanced capital allowances for investment in plant and machinery
- Exemption from employers NICs for certain staff working in the freeport area
- Special VAT and Customs Duty rules

7 of the 8 freeport areas are on the coast and thus ideal locations for businesses importing goods into the UK. There is however no restriction on the nature of business carried out within the designated freeport area.

The eighth English freeport is around East Midlands Airport which would be an ideal place to locate a distribution centre, being half way up the M1 motorway.

Please contact us for more details on the tax breaks for locating in one of the designated freeport areas.

130% SUPER - DEDUCTION FOR INVESTING IN NEW PLANT CONTINUES

Many businesses may have been too short of cash to take advantage of the new super-deduction for investing in new plant in 2021 but may be more confident about investing in 2022.

This tax break, which started on 1 April 2021 continues until 31 March 2023, allows companies to deduct 130% of the cost of new plant and machinery from their profits where that plant would normally be included in the general capital allowances pool.

If a company buys a new commercial vehicle costing £50,000 that means they can deduct £65,000 from trading profit saving £12,350 in corporation tax. Note that there would be a clawback charge on disposal of the asset, which could be as much as 130% of the proceeds.

There is currently no financial limit on the amount that the company spends on new equipment qualifying for 130% tax relief.

£1 MILLION ANNUAL INVESTMENT ALLOWANCE STILL AVAILABLE

Second hand plant and machinery does not qualify for the 130% super-deduction but would still qualify for the 100% Annual Investment Allowance (AIA). The amount of expenditure qualifying for 100% tax relief was originally scheduled to revert to just £200,000 from 1 January 2021 but will now continue at £1 million until 31 March 2023.

Although the 130% super-deduction only applies to limited companies the AIA is available to sole traders and partnerships as well.

Remember that there is currently a further 100% first year allowance for the cost of buying a new zero emission car for the business.

Previously 100% relief was available where the CO_2 emissions of the car were no more than 50g per kilometre. However, that threshold changed in April 2021.

NEW YEAR TAX PLANNING IDEAS

At this time of year, we think about New Year's resolutions. It is also a good time to start planning your tax affairs before the end of the tax year on 5th April.

An obvious tax planning point would be to maximise your ISA allowances for the 2021/22 tax year (still £20,000 each).

You might also want to consider increasing your pension savings before 5 April 2022 as the unused annual pension allowance is lost after three years. For those looking to do some inheritance tax planning it would be a good time to review (or make) your Will.

PENSION PLANNINNG

In the run up to the Autumn Budget many were predicting that the chancellor might announce restrictions to pension tax relief. Thankfully nothing has changed - yet.

For most taxpayers the maximum pension contribution continues to be £40,000 each tax year. This limit covers both contributions by the individual and by their employer into their pension fund.

Note that the unused allowance for a particular tax year may be carried forward for three years and can be added to the relief for the current year, but then lapses if unused. Thus, the unused pension allowance for 2018/19 will lapse on 5 April 2022 if unused.

TIME TO REVIEW YOUR WILL?

Top of the new year to do list for many individuals is to make or update their will. Many think this is something to leave until later in life, but it is important to get things in place once property is acquired or when children come along.

In the absence of a will there are statutory rules which dictate how your assets are distributed on death. Those statutory intestacy rules may not be tax efficient, and you might to want to make specific provision in your will for your unmarried partner or for the guardianship of your children.

Talk to us about the tax implications of your plans before you instruct a solicitor to get your will drafted or updated.

LOOKING TO GET YOUR TAX BILL DOWN?

If your tax payment due on 31 January is more than you expected there is still time to reduce the liability if you are prepared to take a risk. An HMRC tax planning opportunity is to invest in a company that qualifies under the Enterprise Investment Scheme (EIS) or under Seed EIS.

These investments enable you to deduct 30% or 50% respectively of the amount invested from your income tax bill. For example, £10,000 invested in a qualifying EIS company will enable you to deduct £3,000 from your tax bill.

Normally the shares need to be issued in the tax year in question, but it is also possible to invest in the following tax year and carry back the relief to the previous year.

You will need to get independent financial advice as these tend to be risky companies, particularly Seed EIS companies which are smaller start-up companies.

DIARY OF MAIN TAX EVENTS

JANUARY/ FEBRUARY 2022

Date	What's Due
1/01	Corporation tax payment for year to 31/3/21 (unless quarterly instalments apply)
19/01	PAYE & NIC deductions, and CIS return and tax, for month to 5/01/22 (due 22/01 if you pay electronically)
31/01	Deadline for Self-Assessment tax return for 2020/21 if filed online. Also, the due date for 2020/21 balancing payment and 50% payment on account of 2021/22 tax
1/02	Corporation tax payment for year to 30/4/21 (unless quarterly instalments apply)
19/02	PAYE & NIC deductions, and CIS return and tax, for month to 5/02/22 (due 22/02 if you pay electronically)