

# NEWS TO ME

## Annual Investment In Action

*Media reporting Annual Investment Allowance reduction*



Photo courtesy of [dreaanstime.com](http://dreaanstime.com)

The scheduled reduction in Annual Investment Allowances (AIA) from £500,000 to £200,000 per annum which is due to come into effect on 1 January 2015 has been the subject of recent reports in the media.

This is Money.co.uk has reported warnings from BNP Paribas that “investment in equipment and plant could slow” whilst Computer

Weekly.com has reported that “businesses have until December 2015 to make the most of the tax relief given for major investments (Source [www.thisismoney.co.uk](http://www.thisismoney.co.uk) , [www.computerweekly.com](http://www.computerweekly.com) .

For more information on the impact of the reduction to the AIA please go to our website: [www.cavettaconsulting.co.uk/our-company/our-knowledge/what-s-new/](http://www.cavettaconsulting.co.uk/our-company/our-knowledge/what-s-new/)

### Editor's Comments

Welcome to the first edition of our newsletter.

Writing a website is a very difficult task. The site not only has to look good, have a reasonable technical grounding, but also be interesting so that people will not only visit the website but also stay on it for a period of time.

I feel that if a company newsletter similarly does not have these qualities, then it will end up in the PDF graveyard somewhere in cyberspace.

At Cavetta we enjoy doing things differently. Our intention in this newsletter is not only to inform but to make our newsletter a lighter read. We hope you enjoy it and welcome your suggestions.

*Alan Cadden*

### PAYING TOO MUCH TAX

September saw our company give a number of presentations to business groups in Lanarkshire. The short 10 minute presentation titled, “Paying too much tax?” focused on informing the audience that they could potentially use their commercial property to reduce the tax bill of their business



by claiming tax reliefs that they are entitled to under UK law.

Other topics included the benefits of proactive planning for claiming tax allowances and whether it is financially worthwhile using specialist advice. More information about the groups are available at [www.lanarkshirebusinessgroup.com](http://www.lanarkshirebusinessgroup.com) and [www.fairwaysbusinessgroup.co.uk](http://www.fairwaysbusinessgroup.co.uk) .

CONSULTATION: IMPROVING ACCESS TO RESEARCH AND DEVELOPMENT TAX CREDITS FOR SMALL BUSINESS

HMRC has recently published the results of its consultation on improving the access to R&D tax credits for small businesses.

The summary of responses sets out HMRC's plans to improve access to Research and Development (R&D) tax relief for small businesses.

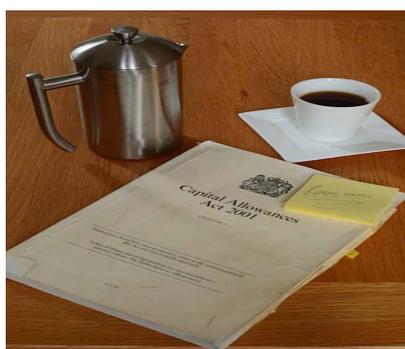
In summary the respondents generally agreed that the 4 factors discussed in the consultation are the right focus for improving R&D tax reliefs for small businesses. The respondents also felt that the focus of HMRC's future plans should be around improving awareness and understanding, rather than changing the policy design.

In the summary of responses, HMRC sets out how it will tackle these issues. The document also introduces the advance assurance scheme for prospective first-time claimants to R&D tax relief.

The concession document can we found at here [https://www.gov.uk/government/uploads/system/uploads/attachment\\_data/file/471660/Improving\\_access\\_to\\_Research\\_and\\_Development\\_tax\\_credits\\_for\\_small\\_business\\_-\\_summary\\_of\\_responses.pdf](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/471660/Improving_access_to_Research_and_Development_tax_credits_for_small_business_-_summary_of_responses.pdf)

If you would like to know about Research and Development Allowances and Tax credits please contact us.

THE AUTUMN STATEMENT 2015



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In terms of capital allowances the Autumn Statement introduced new pieces of anti-avoidance legislation. This will apply to transactions taking place from 25 November 2015 where businesses and individuals who seek to obtain a tax advantage by either:

- Manipulating disposal values leading to excess capital allowances
- Receiving consideration in a non-taxable form in return for

agreeing to take over tax-deductible lease payments.

Existing legislation that can adjust the disposal value of a vendor and the qualifying expenditure of a purchaser to prevent arrangements where the main purpose is to achieve a tax advantage by either mitigating a balancing charge for a vendor or increasing an allowance due to a purchaser will be amended. The artificial values will be adjusted on a just and reasonable apportionment basis by reference to any consideration received under the arrangement.

The second piece of legislation will tax any consideration received by a company taking over the lease obligations of another, where that the company becomes entitled to tax deductions as a result of that arrangement.

Consideration is broadly defined and refers to any payment or benefit of value referable directly or indirectly to the arrangement.

For income tax purposes a parallel provision will be introduced where the person taking over the lease obligations is not a company.

The government also announced that it is creating 26 new Enterprise Zones, including expanding 8 Zones on the current programme. This is in addition to the two announced earlier this year. These now include 15 Zones in smaller towns and rural areas, spreading Enterprise Zone benefits to 108 sites across the country.

For more information about the impact of the Autumn Statement please contact us.



**NEW WEBSITE LAUNCHED**

Cavetta Consulting launched its website last month. The site focuses on telling interested parties, who we help, when we help and how we help. Information is available for professional advisors and for businesses ranging from coffee shops to investment funds. The site can be found at [www.cavettaconsulting.co.uk](http://www.cavettaconsulting.co.uk)

EFFECTS OF THE 2014  
“POOLING” REQUIREMENT



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18 MONTHS ON, HOW ARE  
THE NEW RULES AFFECT-  
ING CLAIMS?

The Finance Act 2012 introduced new rules on capital allowances (CA's) for sellers and purchasers but it wasn't until the April 2014 that the full effect of the “pooling” requirement was felt. We have been working with Richard Whittaker of Incentax Limited to look at the effects, so, 18 months and almost 100 purchase claims later how are the new rules affecting claims:

- potential PI issues have thrown the spotlight onto CA's, meaning their value is having to be considered much earlier;
- advisors are becoming aware of the need to agree CA's before exchange;
- it is now purchasers mostly driving the CA's negotiation;
- old £2 joint election clauses previously inserted by sellers advisors are increasingly being challenged;

- significant numbers of sellers who had previously not bothered with allowances are now having to “pool” their allowances entitlement before they can sell;

- the overall effect of legislation will be to reduce friction as was intended and proper due diligence will therefore now be key to maintaining client confidence.

BUYERS HAVE WOKEN UP

...to the effect that unless CA's are now addressed before the exchange of contracts, a buyer will, in all likelihood, lose most if not all of their potential claim value.

So, whereas under the ‘old rules’ it was (wrongly) considered that the CA issue could be dealt with long after the completion date, a few well-placed technical publications have recently highlighted that advisers who fail to consider the buyer's entitlement during the transaction could well be held accountable for any financial loss.

This message seems to be received clearly in the accounting world, but not so by solicitors.

For more information and advice on the impact of 2014 Pooling requirement please go to our website: [www.cavettaconsulting.co.uk/our-company/our-knowledge/key-articles/](http://www.cavettaconsulting.co.uk/our-company/our-knowledge/key-articles/)

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Calendar

4 December: Santander Breakthrough Breakfast Networking

25 December: Christmas Day

30 December: Deadline for online submission of Self Assessment tax returns for tax year ended 5 April 2015 for HMRC to collect tax through clients' PAYE codes, where they owe less than £3,000.

31 January: Deadline for the submission of self assessment tax returns

31 January: Deadline for paying Self Assessment 'balancing payments' for tax year ended 5 April 2015.

31 January: Deadline for first Self Assessment payment on account for tax year ended 5 April 2016.

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This newsletter is intended to provide an introductory outline to certain aspects of the UK Capital Allowances regime. It should not be used instead of obtaining proper professional advice. The outline is for guidance only and is not an appropriate basis for decision-making.