



Dear Client/Business Owner

Welcome to our monthly newsletter designed to keep you informed of some of the latest issues.

We hope you enjoy reading the newsletter and remember, we are here to help you so please contact us if you need further information on any of the topics covered.

IS IT A REPAIR OR AN IMPROVEMENT?

If you purchase or refurbish a business property it has long been an issue that one needs to consider how much of the expenditure is a repair (then deductible from the relevant income) as opposed to an improvement (then treated as capital expenditure).

Often we are able to negotiate a proper apportionment of the expenditure as between the two heads, but sometimes it proves very difficult. It should now be easier, however, following a recent Tax Tribunal case where it was held that expenditure on a let property was, in the particular circumstances, wholly of a repair nature. All the expenditure was therefore deductible against the rent.

This decision could well be appealed against, but interestingly the Tribunal effectively warned off HMRC trying to appeal as it said that as far as they were concerned the decision was supported by what HMRC has to say about the repair vs improvement issue in their property income manual.

We will take this important case into account when determining whether there should be full tax relief in the future.

TAX BENEFITS CUT FOR FURNISHED HOLIDAY LETTINGS

Some 65,000 second home owners could lose out under Government plans to reduce the tax benefits available for furnished holiday lettings (FHLs).

In a new Consultation document the Government proposes increasing the minimum period for which property is available to let to the public from 140 to 210 days each year, and increasing the days when it is actually let to the public from 70 days to 105 days.

It also suggests restricting the use of loss relief from FHLs so it can only be set against certain income from the same business.

The aim is to bring the rules in line with EU law and put the focus on commercial businesses rather than those run for personal use.

In the Emergency Budget in June, the Chancellor confirmed that the previous Government's plans to withdraw the FHL rules from 6 April 2010 would not take effect.

Under the existing rules, FHLs that meet certain qualifying conditions are treated as a trade for certain purposes, which enables them to benefit from more generous loss relief than other types of lettings.

Landlords may also be able to claim capital allowances on furnishings, furniture and fixtures and enjoy capital gains tax reliefs (such as rollover relief and Entrepreneurs' Relief) that are available to traders.

The consultation will run until 22 October 2010. The Government will then publish its response by the end of the year and intends to implement the changes in the 2011 Budget.

Default retirement age scrapped by October 2011?

The default retirement age (DRA) will be abolished from 1 October 2011, the Government has announced.

It follows confirmation in the Emergency Budget last month that the Coalition government would speed up the withdrawal of the DRA.

The proposals, which are now the subject of a consultation, allow for a six month transition from the existing regulations. It means that the changes could begin to take effect from next April.

Currently, an employer can force a member of staff to retire at the default age of 65, irrespective of their circumstances. Although staff can request to work beyond the DRA, it is entirely at the company's discretion.

Rachel Kryz, Campaign Director at the Employers Forum on Age, described the move as 'an incredible leap forward,' adding that employers have 'nothing to fear' from the proposals.

However, the Confederation of British Industry (CBI) has expressed concerns over the speed of the changes.

'Scrapping the DRA will leave a vacuum, and raise a large number of complex legal and employment questions, which the Government has not yet addressed,' said John Cridland, the CBI's Deputy Director-General.

'This will create uncertainty among employers and staff, who do not know where they stand. For employers, these proposals could make workforce planning and providing some employment benefits, such as critical illness cover, next to impossible.'

In a recent poll carried out by the Federation of Small Businesses (FSB), 80% of respondents said they do not use the default retirement age, while 90% of small firms would consider an employee going into part time or flexible working, rather than retiring.



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Please contact me if you would like to discuss any of the issues raised.