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Paulette Thomas shares some important news...



If you have income from furnished holiday accommodation in the UK it may be treated differently to other rental income, for tax purposes, under the Furnished Holiday Lettings (FHL) rules.

Although technically the letting of property is not a trade, the FHL rules allow landlords of furnished holiday properties to benefit from tax advantages available to traders, provided certain criteria are met.

This year, however, changes come into force. In the 2009 Budget, the Government outlined detailed plans to repeal the FHL rules from April 2010. However, for furnished holiday accommodation elsewhere in the European Economic Area (EEA), which previously did not qualify for these tax advantages, HMRC now regard the FHL rules as applying to this accommodation across the EEA, until the repeal in April 2010.

So, until the FHL rules are repealed, those who have qualifying FHL properties within the EEA have the opportunity to claim the advantageous reliefs and can do so for some previous years. Under the rules, the qualifying FHL business will be treated as a trade for the following purposes:

- **loss relief**
- **capital allowances**
- **Landlords Energy Saving Allowance (LESA)**
- **certain capital gains reliefs, e.g. business asset roll-over relief, entrepreneurs relief, etc.**
- **relevant earnings when calculating the maximum relief due for an individual's pension contributions**

In order to qualify for the tax treatment provided under the FHL rules, the following conditions must be met:

- **the property must be situated in the EEA;**
- **the business must be carried on commercially and with a view to a profit;**
- **the property must be available for commercial letting as holiday accommodation to the public for at least 140 days during the relevant 12 month period (for individuals with a continuing FHL business, this will be the tax year to 5 April);**
- **the property must be commercially let as holiday accommodation to members of the public for at least 70 days during the relevant 12 month period. Lettings to the same person for a continuous period of more than 31 days do not qualify;**
- **not more than 155 days must fall during periods of longer term occupation.**

When the Government repeals the FHL rules from April 2010, the effects on individual parks will depend on whether they can otherwise be classed as a "trading" business for taxation purposes, or whether their income is purely rental income. It is likely that smaller caravan parks which operate a letting fleet and don't have central facilities will be most affected by the repeal of this relief.

If you think your property may qualify for FHL relief or are concerned by the impending repeal of the relief, please contact PAULETTE THOMAS on 01244 404 420 or e-mail paulette.thomas@champion-accountants.co.uk.

What a Relief

Joanne Cooper from Champion's Tax Planning team discusses why you should check if your business qualifies for Business Property Relief.....

Business Property Relief (BPR) can be very valuable – it can provide a relief from IHT payable on your business by as much as 100%. If denied, the resulting IHT due can be significant.

To obtain BPR, subject to other conditions, the business must not consist wholly or mainly of making or holding investments. HM Revenue & Customs (HMRC) has historically tried to argue that a caravan park consists mainly of exploiting investment in land by renting out pitches. It has been shown in the Courts that the line between what defines a trading business and an investment business in these situations is blurred and therefore the situation is not so black and white.

The business must be looked at in the round, taking into consideration a number of factors:

- **the overall context of the business**
- **the capital employed**
- **the time spent by the employees and consultants**
- **the turnover of the business**
- **the profit of the business**

HMRC has had numerous disputes with taxpayers over the availability of BPR on caravan parks. It is therefore important to be mindful of this and act now so the future of your business can be planned accordingly. We can review your business from a BPR perspective and based on the findings; help you to plan for the future.



For further information or advice, contact JOANNE COOPER on 0161 703 2500 or email joanne.cooper@champion-accountants.co.uk

HIGH EARNERS, TAKE HEED

The implementation of the Finance Act 2009 brought some unwelcome changes for higher earners. Paulette Thomas discusses tax strategies which may help lessen the impact...

The Finance Act 2009 is now in force, bringing much bad news for higher earners.

This includes:

- A “super” tax rate of 50% on taxable income over £150,000 - from 6 April 2010.
- Reduction of entitlement to personal allowances where adjusted net income exceeds £100,000 - from 6 April 2010.
- Restriction of the higher rate tax relief due on pension contributions where taxable income exceeds £150,000 - from 6 April 2011.

In the light of this, what strategies can higher earners consider?

- Where practical, vote bonuses and dividends prior to 6 April 2010, so that such income is taxed at the current top rates of tax of 40% and 32.5%, rather than 50% and 42.5%.
- Higher earners with unincorporated businesses should consider the option of operating their businesses through a limited company, giving the opportunity to shelter profits in the company at lower rates of corporation tax, currently 28% or 21% for small companies.

- Where the loss of tax relief on pension contributions is adversely affecting the overall returns being achieved on pension funds, investigate the returns which can be earned by moving into different forms of investment and savings for retirement provision.

Champion also offers a number of bespoke tax strategies, aimed at minimising the tax liabilities for owners/managers of businesses, relevant to companies with profits over £300,000.

For more information, contact PAULETTE THOMAS, on 01244 404420 or e-mail paulette.thomas@champion-accountants.co.uk

VAT RETURNS: COMPULSORY ONLINE FILING

New rules will come into force in April regarding how VAT returns are submitted and payments made.

From 1 April, online filing of VAT Returns, plus making payments electronically, will be compulsory for businesses meeting the following criteria:

- the business has an annual turnover of £100,000 or more.
- the business has registered or should have registered for VAT on or after 1 April 2010.

Businesses already registered with a turnover below the threshold can still choose to use paper returns, however this will be reviewed by 2012.

The following penalties will be imposed for those failing to make an electronic return:

- turnover of £100,000 (VAT exclusive) and below - £100.
- turnover of £100,001 to £5,600,000 - £200.
- where turnover exceeds £5,600,000, penalties will be higher.

HMRC has said it will be lenient during the first year of compulsory online filing, to allow businesses to adjust to the changes in procedures. This means that initially, penalties will not be imposed.

However, penalties will apply where a business that should have filed online submits a paper return for a period ending on or after 31 March 2011.

What you should do now

1. Make arrangements with the bank for your preferred form of electronic payment.
2. Register for online filing ASAP.
3. If Champion are submitting your VAT return online on your behalf, contact your local office and we will explain the steps that each of us needs to take.

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Scope of Champion's Services

Champion provides a comprehensive range of services focused on adding value to your business.

Audit & Accounts

Business Support

Corporate Finance

IT

Management Accounts

Payroll

Tax Compliance

Tax Enquiry Insurance

Tax Planning

Vehicle Solutions

Wealth Management

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