

Bloodstock**update****CROSS BORDER
TRANSACTIONS**

From 1st January 2010



As was reported in our most recent newsletter, the introduction of new measures relating to cross-border transactions from

1st January 2010 has impacted on a number of areas of business for both studs and trainers. With individual EU member states interpreting the new rules in different ways in some areas, this has led to confusion as to whether VAT should be charged or not, and we are working with both the National Trainers Federation and the Thoroughbred Breeders Association to clarify with HM Revenue and Customs how they believe the new rules should be interpreted.

As far as stud farms are concerned we have, in conjunction with the TBA, asked HMRC to confirm which supplies would be subject to the new B2B rule in those cases where the supplier is a UK Business and the customer is in business and belongs either in another EU country or outside the EU.

Subject to HMRC confirmation, when the service supplied is subject to the new B2B rule no UK VAT will be charged but an EC Sales list would need to be completed in respect of those customers that are VAT registered in another member state.

For trainers the matter has been complicated by the fact that the introduction of the new rules for 'performance' services has been deferred until 1st January 2011. If, as is the case in some other EU countries, training is regarded as such a service, VAT will continue to be charged and only next year will training and associated services all be subject to the new B2B rule where the customer is VAT registered in another EU country. However, we are still awaiting clarification from HMRC on this point.

We would also remind VAT registered businesses that where you receive a service in another member state which under the new rules is not subject to VAT, you will need to account for VAT under the reverse charge mechanism. This means that you will have to add the VAT due to the figure you would be putting in Box 1 of your VAT return, and, if you're entitled to reclaim the VAT on the purchase of these supplies, add the same figure to Box 4 (which in effect cancels out the figure in Box 1). The full value of the supply also needs to be added to the figures you put in both box 6 and box 7.

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2010 BUDGET

With increases in income tax and national insurance already announced the main points arising from the March Budget for bloodstock

businesses and trainers are:

- Increase in Stamp Duty Land Tax to 5% from April 2011 for residential properties over £1million.
- No change in rate of Capital Gains Tax for 2010/11 - whether the disparity between the rates of CGT and Income Tax is sustainable remains to be seen.
- Increase in Entrepreneurs Allowance for Capital Gains to £2million.
- Increase in Annual Investment Allowance for capital allowances increased to £100,000.

All Budget proposals may be subject to amendment before the Finance Act receives Royal Assent, and with Parliament being dissolved on 12 April before the Election now confirmed for 6 May we should expect further developments in the forthcoming weeks.

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ONLINE REPORTING ARE YOU PREPARED?



PAYE

From 5th April almost all employers will be required to file their Employer Annual Returns (form P35 and forms P14) online, and from April 2011 the current requirement that employers with 50 or more employees must also file P45 and P45 forms online will extend to employers of all sizes.

The deadline for filing the 2009/10 return is the 19th May 2010 and you will need to register for the online service well in advance of that date, as after you have registered you will only be able to access the service once you have received the Activation PIN.

When registering you will need your employers PAYE reference, together with the Accounts Office Reference.

VAT

From 1st April 2010 VAT returns will also have to be submitted online. Although no PIN is required for accessing the VAT return, when enrolling for the service you will need your

- VAT registration number
- Principal place of business postcode
- Date of registration for VAT
- Final month of last VAT return submitted
- Box 5 figure on last VAT return submitted.

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HELPLINE UPDATE

Recent questions arising from our TBA and NTF helplines have included

When do I need to fill in a P11D?

A P11d is an employers annual return of expenses and benefits on which the individual will be assessed to tax. Employers must provide a director or employee earning £8,500 or more with a P11D. Directors earning less may still require a P11D. In order for an employer not to return a P11D for routine expenses where tax or NIC will not be due, for example, travel and subsistence, HM Revenue & Customs will usually agree to provide a dispensation for such expenses. An application to HMRC is made by way of posting form P11DX to HM Revenue & Customs for their consideration.

Is the provision of living accommodation for stud and stable staff a taxable benefit?

Where it can be shown that the accommodation is provided for the proper performance of their duties, as would normally be the case on both stud farms and trainers yards, and the employee is neither a

director nor shareholder in the business, the provision of accommodation is not usually taxable. However businesses and employees vary considerably and the potential tax cost to both the employer and employee of reaching the wrong conclusion on this point can be considerable, so each case should be fully assessed on its own particular facts and further advice should be sought where the conclusion is not clear cut.

I retained a horse I bred and it has recently won a race. Is the prize money and breeders prize taxable?

The prize money is not taxable as it is part of your racing income, and as your racing expenses are not tax deductible so any income you receive is not subject to tax. However, the breeders prize for the same race is taxable as it arises from your breeding operation, and you would receive it regardless of whether or not you still owned the horse.

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