ONESOURCE®
CORPORATE TAX UK
JULY 2013 NEWSLETTER

WHAT'S NEW?
ONESOURCE CORPORATE TAX 6.0

UK – Corporate Tax
This release includes product enhancements along with legislative changes and tax sheet templates for the 2013 Financial Year (FY 2013).

Patent Box
Four new "A" sheets allow qualifying companies to calculate the Patent Box deduction. They are available for accounting periods ending in or after FY 2013 and can be developed from the *Adjustment of profit* A sheet.

The *Patent Box deduction* sheet:

- displays the calculation of the deduction that is carried through to the *Adjustment of profit* sheet; and
- provides a proof showing how the effective rate of tax on intellectual property (IP) profits is 10% (independent of any other deductions on the *Adjustment of profit* sheet).

You can enter the qualifying residual profit (QRP) figure on the *Patent Box result* sheet and see the resulting IP profit or loss.

The QRP can be further analysed using the *Apportionment method of analysing QRP* sheet and the *Streaming method of analysing QRP* sheet.

Results from these streaming sheets automatically flow to the *Patent Box result* sheet, so you can compare which method yields the highest QRP and choose the method that gives you the lowest tax charge.

Above the line research and development (R&D) tax credit
Entities in the large company scheme with qualifying R&D expenditure incurred on or after 1 April 2013 can now choose to:

- calculate their above the line R&D tax credit amount; or
- continue to use the enhanced deduction scheme.

A new "D" sheet calculates the above the line R&D tax credit amount. It is developed from either the *Adjustment of profit* sheet or the *Profit and loss* sheet.

Fixed assets and capital allowances
There are several enhancements to the capital allowance sheets.

Capital allowance summary
We have redesigned the *Capital allowance summary* [P2] sheet for 2013 files and subsequent years.

The sheet has separate sub-sections for capital allowances, making it easier to track amounts flowing to the CT600.

Qualifying expenditure has been removed from the *Capital allowance summary* sheet and is now included on a new *Capital and other expenditure* [P4] sheet.

Group reporting of capital allowances
From 2013, the *Capital allowances group summary* sheet separates balancing allowances from writing down allowances/initial allowances, and shows any allowances not claimed.

Transfer of non-pooled cars to the general pool
For companies with accounting periods ending on or after 31 March 2014, non-pooled (or "expensive") cars will be automatically transferred to the *Plant pool* sheet.

TAX & ACCOUNTING

THOMSON REUTERS

Annual Investment Allowance (AIA) Validations sheet

Following the change in the AIA limit from 1 January 2013, the *AIA Validations* sheet has been updated to allow us to support changes better going forward.

Environmentally friendly assets and green technology

You can use the *Plant pool* and *Special rate asset pool* sheets to claim FYA on "environmentally friendly" assets for both fixed asset additions and capital items expensed.

The redesigned sheets include a data entry cell so enhanced capital allowances on "green" technologies can be claimed, regardless of how they are accounted for.

These enhancements automatically appear in 2013 files and new 2012 files.

REUTERS/Tim Wimborne

Capital allowances for overseas property income

From 2013, you can develop the main capital allowance sheets to support the overseas property business profits computation. These are developed from the *Overseas property income* sheet.

Overseas branches

The redesign of the foreign branch sheets for 2013 files and subsequent years includes:

- a summary sheet containing all branches;
- new sheets for each branch; and
- new capital allowance sheets.

The *Overseas branches* summary sheet is developed from the *Adjustment of profit* sheet.

The individual *Overseas branch* sheets are in turn developed from the *Overseas branches* summary sheet. They let you calculate the adjusted profit/loss of each overseas branch for:

- the foreign branch exemption;
- negative amounts;
- double taxation relief (DTR) calculations; and
- tracking and using branch losses in the "overall" trade loss rules, on a branch-by-branch basis.

The capital allowance sheets let you analyse capital allowances across non-exempt foreign branches, and link them to the branch profit calculation.

New Controlled Foreign Companies (CFC) regime

We have made several changes to ONESOURCE Corporate Tax, to reflect the new CFC regime.

CFC exemptions and gateways tests

The *CFC analysis* sheet lets you specify the CFC exemptions or CFC gateway tests that apply for accounting periods of a CFC beginning on or after 1 January 2013. It is developed from the *CFC summary* sheet.

You are not allowed to e-file a computation which has both amounts in *Exemption due* and *CFC profits* as it will fail validation. HMRC's guidance for the new regime specifies that the "*C Exemption due (if any)*" column should only indicate the chapters that apply for profits that have been <u>fully excluded</u> by the gateway test.

Addition of CFC profits to gross profits for group relief purposes

The *CFC summary* sheet and *Group relief details* sheet, allow apportioned CFC profits to be included in the profit-related threshold (gross profits) for group relief purposes.

Existing FY 2012 files update automatically when they are first opened and saved in the new version of the software.

Overseas property losses and group relief

The Gross *profits*/Profit-related threshold value on the *Group relief details* sheet deducts any utilised overseas property loss for new 2012 files onward.

Any existing 2012 files impacted by this change will produce a warning message when the file is opened. Go to the *Group relief details* sheet to clear this message.

Global debt cap – CT and Group

New sections in the *Global debt cap* sheets for CT and Group allow you to report debt factoring values separately from leased asset finance values.

Culturally British video games, animations and TV programmes

From FY 2013, eligible expenditure on these items can be inserted in the *Information for the return* sheet and tax credits entered on the *Adjustment of Profit* sheet.

The *Losses and allowances* sheet automatically calculates the relevant loss surrender amount.

Relief available on the expenditure is calculated on the new *Capital and other expenditure* sheet.

REUTERS/Danish Siddiqui

Payments on account

You can now include the relevant *Projected payment on account* sheet in Taxpack.

Tax accounting

Freezing tax accounting sheets

From FY2013, you can freeze the F and I sheets separately.

You may find this useful when entity reports are in UK GAAP, but IFRS consolidation is required for group reporting purposes, thereby requiring the sheets to be frozen at different points in time.

Using F sheets for IFRS

For accounting periods starting on or after 1 April 2014, the *Tax basis balance* sheet (I sheets) should be used for tax accounting under IFRS.

The F sheets are designed for UK GAAP only and will no longer be available for tax accounting under IFRS.

Disclosure narrative sheet

Disclosure narrative sheets for IFRS and UK GAAP are in the group module from 2013. Suggested wording for tax notes have been included on these sheets, though you may choose to amend this wording. You can develop the sheets from the relevant *Disclosure* sheet.

Life

CFCs

CFC sheets have been included in the Life module.

Help sheets

We have developed help sheets for computations under the new Life regime. These help sheets are available for accounting periods beginning on or after 1 January 2013.

Transitional provisions

The transitional sheets have been updated following the clarification contained in the Insurance Companies (Transitional Provisions) Regulations 2012 (SI 2012/3009).

To apply the updated logic, erase and then redevelop all your fund - relevant computational item sheets. Information previously entered in these sheets will need to be rekeyed as a result of the updates.

Iterative calculation of tax charge - Blocks of business calculations

There is more flexibility for blocks of business where the iterative calculation of tax is used in the profit and loss account/income statement.

For blocks of business, you can automatically allocate or manually enter the current tax on a block-by-block basis.

In a *Factual Basis* block, enter the shareholder transfer required by category of business.

For other tax adjustments enter them in a newly created row.

Tax charges and transfers to or from the *Fund for Future Appropriations/Undistributed Divisible Surplus* for each block and category of business are automatically calculated.

Supporting calculations for the iterative calculation of tax

Group relief payments and DTR adjustments are automatically factored in to the *Tax by category of business* sheet.

The new *Profit and loss account – tax charges/Income statement – tax charges* sheet automatically appears in new files. This sheet:

- allows tax charges to be allocated in accordance with the choice made on the blocks of business sheets;
- provides a supporting calculation for the blocks of business; and
- summarises automatic and manual allocations.

Foreign income

To increase flexibility in apportioning foreign income, we have introduced a blocks of business approach to the foreign income sheets.

REITs

You can export the main REIT sheets to Taxpack.

There are cosmetic changes to relevant REIT sheets for the changes arising from the Finance Act 2012, but no calculation changes are required to support them.

Investment Trusts

The Investment Trust *Approval application* sheet has been enhanced and now includes disclosures for directors. The updated sheet is available for Investment Trusts for periods starting on or after 1 January 2012.

With effect from accounting periods ending in FY 2013, you can choose how to prioritise losses from management expenses and loan relationship deficits in the *Losses* sheets.

Authorised Investment Funds
This is updated and supports computations for FY 2013 and FY 2014.

Partnerships
E-filing
With effect from the 2013 tax returns, partnerships can now:

- e-file amended returns;
- test e-filings using the Test-in-Live option; and
- automatically attach a PDF of the tax computation and return to the e-filing by choosing a selector on the O sheet.

2013 Release
The 2013 Partnership software was made available in April 2013. Contact our Support Desk if you would like another copy of the newsletter accompanying that release.

Non Resident Landlord (NRL)
The 2013 NRL software was made available in April 2013. Contact our Support Desk if you would like another copy of the newsletter accompanying that release.

System
The iXBRL document has been enhanced. One HTML document will be produced for the A sheets, another HTML document will be produced for the B sheets, etc etc. This should help minimise potential questions from HMRC regarding information contained in the iXBRL document.

Companies not registered with Companies House can now e-file their returns without needing to contact our Support Desk for assistance. Before attempting to e-file, ensure each question on the *Information for the return* sheet is answered correctly.

ONESOURCE Accounts Production
A new ONESOURCE Accounts Production link wizard has been developed. It lets you import data for the profit and loss account and any asset additions from ONESOURCE Accounts Production to ONESOURCE Corporate Tax.

Foreign Account Tax Compliance Act (FATCA)
Thomson Reuters for FATCA is a new solution separate to ONESOURCE, which enables businesses to comply with their FATCA requirements. It includes modules for screening for US Indicia, gathering and validating self-certification documents, and for reporting to the IRS and other relevant tax authorities. It is available now to help you meet your FATCA compliance requirements.

REUTERS/Ali Jarekji

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