Alphatax UK Release Notes

Professional: Version 21.0

Contents

1. Introduction

About version 21.0

Welcome to the version 21.0 edition of Alphatax UK. This release includes the following features:

- Support for legislative changes introduced by Finance Act 2021
- Amendments to the CT600L for Research and development
- A new *Hybrid and other mismatches* statement
- Minor changes to resolve customer issues

Technical support

We provide a technical support help desk for users requiring assistance. The help desk can be contacted by telephone between the hours of 9.00 am and 5.30 pm, Monday to Friday excluding public holidays.

If you require help or further information, please contact the support team on:		
UK:	Tel: +44(0) 1784 777 666	Email: support@taxsystems.com
Ireland:	Tel: +353 (0) 1661 9976	Email: support@taxsystems.ie

Please note: *We recommend that you use the* ***E-mail Support*** *option from the* ***Help*** *menu in Alphatax to send copies of the computation directly to Support.*

2. Important notices

Coronavirus support schemes and overpayments clarification

In the previous version we introduced support for the form CT600 (2021) including the new fields that were added for **Coronavirus support schemes and overpayments**:

Coronavirus support schemes and overpayments (see CT600 guide for definitions)

471	CJRS and JSS received	£ .
472	CJRS and JSS entitlement	£ .
473	CJRS and JSS overpayment already assessed or voluntary disclosed	£ .
474	JRB and EOTHO overpayments	£ .

Our Release notes and Help system for that version placed emphasis on these fields being relevant where an **overpayment** has arisen, in which case the excess claim feeds through to box 526 to be recouped by HMRC as a charge to income tax.

However, several customers have asked whether these fields **should be completed even where there was no overpayment?**

The Company Tax Return guide simply states that box 471 should be populated with the amount of CJRS or JSS claimed for the accounting period:

Coronavirus support schemes and overpayments

471 CJRS and JSS received

Enter here the total amount of coronavirus job retention scheme (CJRS) and job support scheme (JSS) payments you claimed for the accounting period covered by this return.

472 CJRS and JSS entitlement

Use this box to record the total amount of coronavirus job retention scheme and job support scheme payments you were entitled to claim for the accounting period covered by this return.

473 CJRS and JSS overpayment already assessed or voluntary disclosed

Enter the amount of any coronavirus job retention scheme and job support scheme payments which have already been assessed by HMRC paid or unpaid, or that have been voluntary returned to HMRC (do not include any assessment made on voluntary disclosure that have not been paid).

474 JRB and EOTHO overpayments

Use this box to record the amount of any overpayments of job retention bonus (JRB) and eat out to help out scheme (EOTHO) that you have received and not repaid (for the accounting period covered by this return).

We sought clarification from HMRC who reiterated the wording of the guide, indicating that these boxes should be populated by any company who has claimed CJRS or JSS. Where there was no overpayment, the entry in box 472 would equal box 471 and the numbers would not flow any further on the return.

Users should note that Alphatax will automatically limit any entry in boxes 472 and 473 to the amount entered in box 471 plus box 474 in order to satisfy HMRC e-filing validation rules (which state that box 526 must be the sum of these boxes and may not be negative).

Finance Act 2021

Finance Act 2021 received Royal Asset on 10 June 2021. Development work for this release was completed based on the Bill. We will be reviewing the final Act to identify whether there are changes compared to the Bill that require action for the next release.

Interest restriction return API

As advised in the Release notes for the previous edition, HMRC have been developing a new API-based submission mechanism for the CIR Interest restriction return. It has recently been announced that this new service will be available to use from July 2021, running in parallel with the existing portal until April 2022 at which point HMRC intend to withdraw the portal and make the API approach mandatory.

We are working towards including full support for the API submission process in the V21.1 edition of Alphatax UK which is planned for release in Q4 2021.

3. Installation

Installation key

Your 16-digit Alphatax installation key is provided in the email that you received announcing the release. The Alphatax installation key is required to both download and install Alphatax.

Should you have any queries, please contact the support team on 01784 777666 or at support@taxsystems.com.

Downloading and installing Alphatax

Please download the copy of Alphatax from the releases download site:

https://releases.taxsystems.com/

You will be required to enter your **email address** and your **16-digit Alphatax installation key**. This process will generate an automated email with a unique URL which will be sent to your email address.

The URL will allow you to download the Alphatax installer along with other applications which you are registered to use and also installation guides and release notes.

Click on '**Alphatax v21.0.exe**' to initiate the installation process for which the Alphatax installation key will again be required. Press the **Enter key** at the prompts.

The installation process will override the old version of Alphatax. For detailed information on the installation process refer to the *Alphatax UK Installation Guide*. This can be retrieved from the user documentation section of the download screen.

Enterprise users, using the Oracle or MSSQL databases, should also run the database update script from within the Enterprise Manager utility. **The database version is now 43**. The Enterprise Manager is automatically extracted from within the Alphatax Installer package.

Templates

The installation will reinstall the standard Alphatax templates to ensure that you have the latest version.

To allow you to retrieve your own versions of these templates, if applicable, the old templates are stored in a new folder called BACKUPXn (where n is a number incremented for each new installation).

Please note: *This part of the process may take some time. A progress bar displays the names of templates as they are being copied.*

Folders called BACKUPXn created in the version 20.1 release are removed with this release.

Alphatax platform support

Operating Systems

Alphatax is supported on Windows 7 and later operating systems for the desktop. Alphatax is also supported on Windows Server 2008 and later on servers.

End of Life

To view our **End-of-Life policy**, please go to this link:

https://www.taxsystems.com/sites/default/files/2020-11/End-of-Life-Policyv2.pdf

4. Finance Act 2021

Corporation tax rate

Finance Act 2021 s6 increases the main rate of corporation from 19% to 25% with effect from 1 April 2023. Schedule 1 also re-introduces a standard small profits rate of tax at 19% for profits of up to £50,000. Furthermore, marginal relief – along with associated company rules – is also re-introduced for profits of up to £250,000. We intend to introduce full support for these legislative changes in a future release, nearer the time.

In the meantime, this legislative change does influence deferred tax calculations. Under generally accepted accounting practice, deferred tax on assets and liabilities should be provided for at the rate at which they are likely to reverse out.

Accordingly, this edition of Alphatax will now provide for deferred tax at a rate of 25%. Consideration is given to whether the company would meet the future requirements of the standard small profits rate in which case 19% will continue to be used.

For accounting purposes, this rate change applies from the date of substantive enactment of the Finance Bill. This date was unknown at the time of development and so we opted for a provisional date of 18 May 2021. The provision rate may be controlled by users using the override inputs provided on the deferred tax input statements, and a table file update will be issued should the final date differ significantly.

Capital allowances

Super-deduction and SR allowance

Finance Act 2021 ss9-14 have introduced two new, temporary forms of first-year allowances for qualifying expenditure on plant and machinery.

The first is a 130% super-deduction. To qualify, the expenditure must meet six conditions:

A. Be incurred on or after 1 April 2021 but before 1 April 2023,

B. Be incurred by a company within the charge to corporation tax,

C. Be on plant or machinery which is unused and not second-hand,

D. Not be within any of the general exclusions within CAA 2001 s46(2),

E. Not be special rate expenditure, and

F. Not be incurred wholly or partly for a ring fence trade.

Qualifying expenditure meeting these conditions is referred to as “super-deduction expenditure” and the first-year allowance as a result is referred to as a “super-deduction”.

The second is a 50% SR allowance. To qualify, the expenditure must meet five conditions:

A. Be special rate expenditure,

B. Be incurred on or after 1 April 2021 but before 1 April 2023,

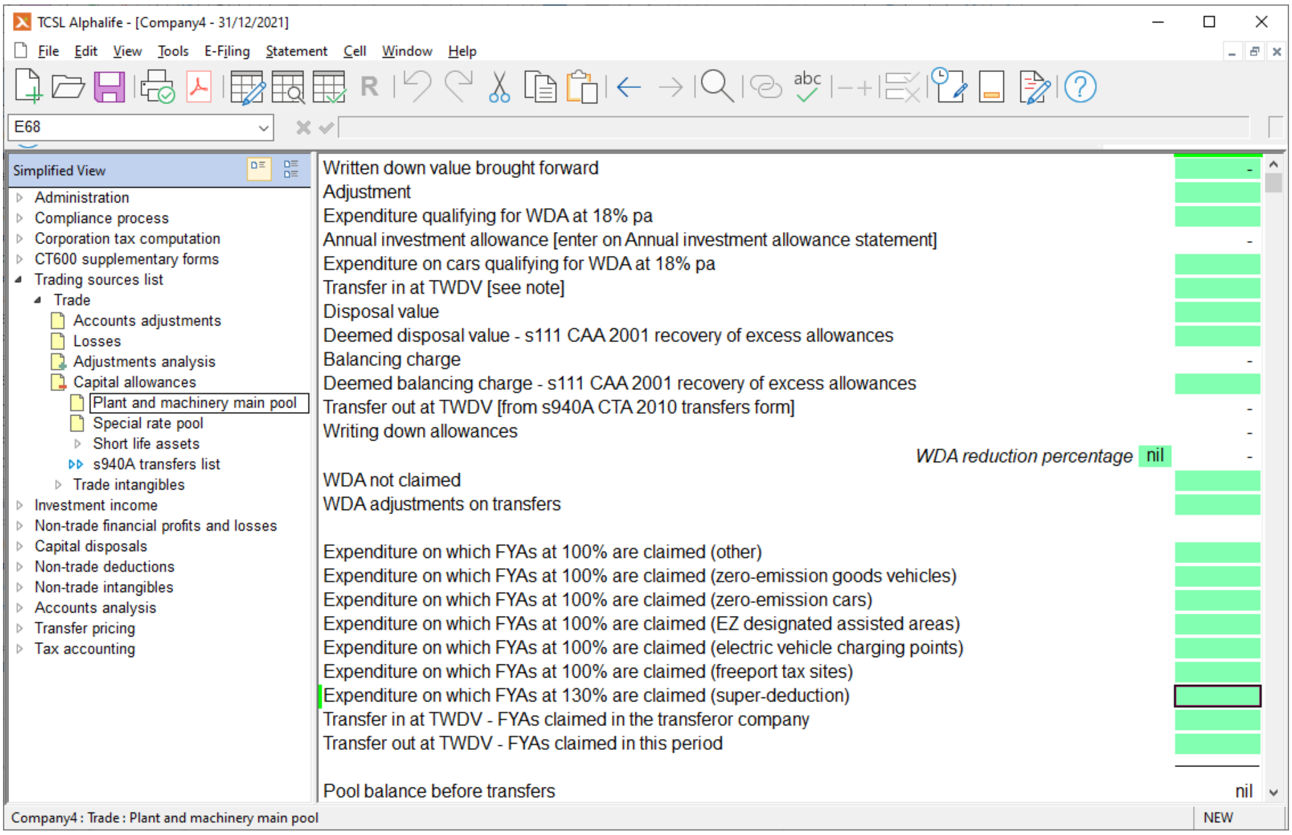
C. Be incurred by a company within the charge to corporation tax,

D. Be on plant or machinery which is unused and not second-hand, and

E. Not be within any of the general exclusions within CAA 2001 s46(2).

Qualifying expenditure meeting these conditions is referred to as "SR allowance expenditure" and the first-year allowance as a result is referred to as an "SR allowance".

In this edition of Alphatax we have introduced additional fields on the trade and non-trade *Plant and machinery main pool* and *Special rate pool* (and *Ships*) input statements to allow for any qualifying expenditure to be entered:



Upon any subsequent disposal, the legislation seeks to claw back a portion of the first-year allowances claimed by way of a balancing charge based on the relevant date. Further inputs have also been added to reflect the legislative calculations here.

Freeport tax sites

Following consultation and bidding processes that took place during 2020, Budget 2021 formally announced the introduction of freeport tax sites. Designated by Government, these areas will benefit from freeport-specific tax reliefs which are available to all companies operating in those areas. The intention of the policy is to boost Britain's post-Brexit growth.

Schedule 21 of Finance Act 2021 has accordingly introduced two new capital allowance reliefs for expenditure in relation to freeport tax sites:

- The first is a 100% first year allowance for any qualifying expenditure on plant and machinery under a new CAA 2001 s45O. To qualify, the expenditure must meet five conditions:
  A. The plant or machinery is for use primarily in a freeport tax site,
  B. The plant or machinery is unused, not second-hand,
  C. The expenditure is incurred for the purposes of a trade (property business and investment businesses are not qualifying),
  D. The expenditure is incurred on or before 30 September 2026, and
  E. The company is within the charge to corporation tax.

Allowances are available from the point at which the site is granted freeport tax status which documentation indicates will begin from 1 October 2021.

For this edition we have introduced a new **Expenditure on which FYAs at 100% are claimed (freeport tax sites)** field to the *Plant and machinery main pool* and *Special rate pool* input statements.

There are no disclosure requirements for this allowance on the CT600 or in the XBRL tagging schema for now, however HMRC have confirmed to us that they are intending to add these in a future update. Furthermore, the Finance Act legislation introduces a new (2ZZA) to CAA 2001 s3 which states that any claim under s45O must be accompanied by "such information as Her Majesty's Revenue and Customs may require". The expectation is that this will be an additional claim statement of some form. We await further clarification from HMRC and will introduce any further changes required in a future release.

- The second is an enhanced 10% rate under the structures and buildings allowances provisions for "freeport qualifying expenditure". This term is defined by a new s270BNA CAA 2001 as expenditure on a structure or building situated in a freeport tax site. The date of first non-residential use and the date of expenditure must both be on or before 30 September 2026.

For this edition we have introduced a new **Freeport qualifying expenditure?** flag to the accessory statement of the trade and non-trade *Structures and buildings* item allowance statements. Setting this flag to **Yes** will prompt Alphatax to apply a 10% rate of writing down allowance for the item of expenditure over the life of the asset.

The list of freeport tax sites is to follow via secondary legislation, having been enabled under s109 FA 2021. Budget 2021 documentation indicated that the initial list will be: East Midlands Airport, Felixstowe and Harwich, Humber, Liverpool City Region, Plymouth and South Devon, Solent, Teesside and Thames.

Miscellaneous capital allowances changes

The temporary increase in the rate of the annual investment allowance – available under CAA 2001 s51A – to £1 million has been extended by a further year to 1 January 2022.

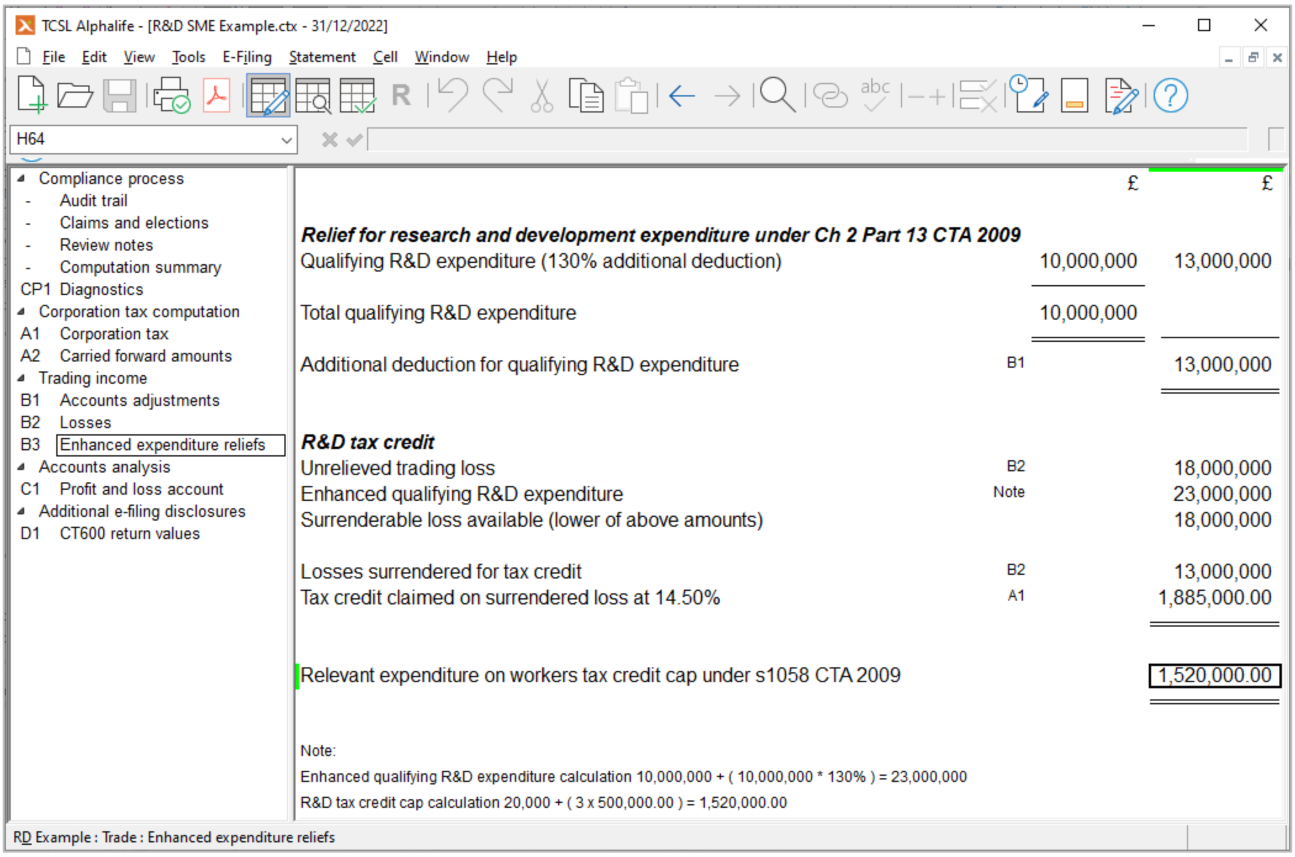
R&D tax credits for SMEs

Following two periods of consultation during 2019 and 2020, Schedule 3 of Finance Act 2021 has re-introduced a cap on the amount of any SME payable R&D tax credit that a business may receive for an accounting period. The cap is designed to act as an anti-abuse measure to ensure that claims may only be made by companies with real economic substance in the UK.

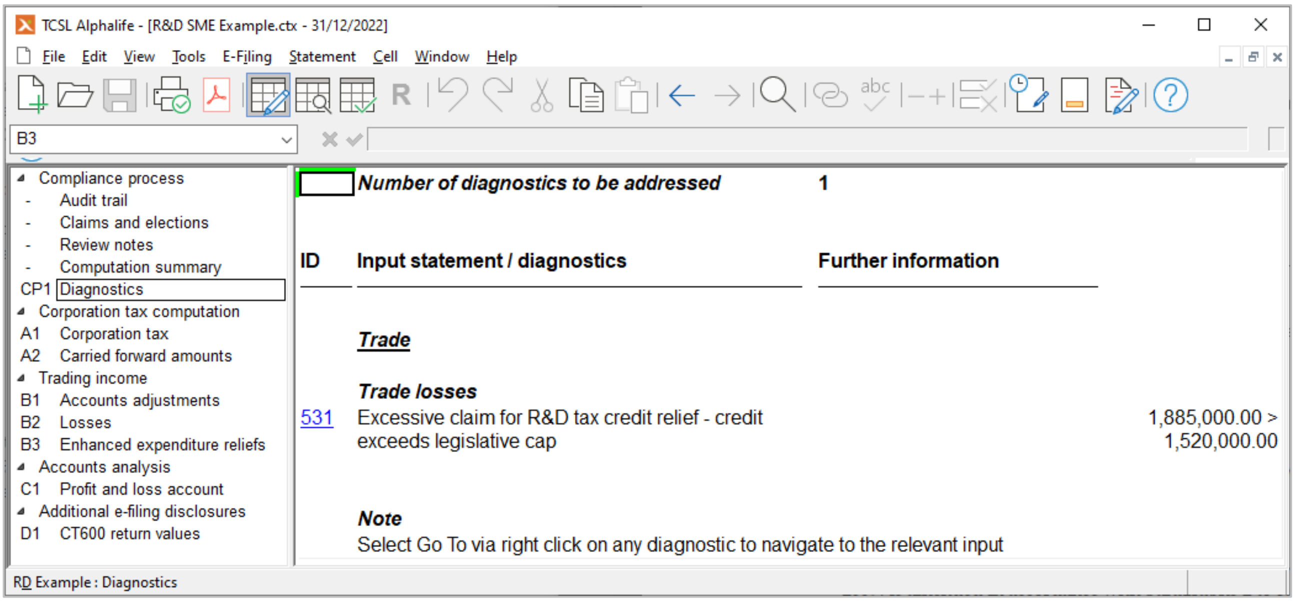
The amount of the cap is set as £20,000 plus 3 times the company's relevant expenditure on workers. Relevant expenditure on workers is defined as the total amount of the company's PAYE and NIC liabilities for the accounting period, with rules allowing connected party expenditure to be included but not double-counted.

The cap applies for accounting periods beginning on or after 1 April 2021.

The new rule is included within CTA 2009 s1058 and functions in an identical way to a PAYE and NICs cap that previously applied up to 2012. Accordingly, in Alphatax we have resurrected the treatment previously applied; upon entering an R&D tax credit claim, users will be prompted by a diagnostic to populate the **PAYE and NIC liabilities for payment periods ending in accounting period** field on the *Income tax summary* input statement. Alphatax will then calculate the relevant cap for the period, returning details on the *Enhanced expenditure reliefs* report statement:



This cap is tested against the tax credit claimed and a further diagnostic will then be displayed where the trade loss surrendered results in an excessive R&D tax credit claim for the period:



Trade losses carry back extension

Under existing rules, trade losses arising in an accounting period may be carried back against total profits of the preceding 12 months under CTA 2010 s37(3). Schedule 2 of Finance Act 2021 has extended this period to be 3 years for relevant accounting periods. Relevant accounting periods are those that end between 1 April 2020 and 31 March 2022.

A group-wide cap of £2,000,000 applies – with a £200,000 per company de minimis – on the amount of losses that may be carried back from each financial year.

The Alphatax treatment is for the claim to be manually entered by the user as both brought back and carried back on the trade *Losses* input statement in the corresponding periods. Accordingly, users are already able to reflect the effect of this legislation using existing inputs. For this edition however, we have introduced a small narrative change on the trade *Losses* input statement to refer users to the extended carry back period temporarily introduced by FA 2021.

In respect of the group cap, the legislation and HMRC policy paper include reference to a loss carry-back allocation statement which will need to be submitted to HMRC by a nominated company. However, no further details of this statement have been released at this time. We will review any further announcements from HMRC in due course.

5. Other legislative changes

Hybrid and other mismatches

This edition of Alphatax includes a new statement designed to reflect the implications of the hybrid and other mismatches rules set out under TIOPA 2010 Part 6A within the corporation tax computation.

Legislative background

These rules were introduced in response to the OECD’s Base Erosion and Profit Shifting project, under which Action 2 set out recommendations for neutralising the effect of hybrid and mismatch arrangements. Such arrangements arise where an entity exploits differences in the tax treatment of transactions across more than one territory in order to arrange for income to escape the charge to tax, expenses to be deducted more than once, or multiple foreign tax credits to be generated from a single amount of tax paid. The recommendations seek to neutralise the effect of these arrangements by introducing adjustments into the tax computation to disallow deductions or increase income.

The corresponding UK rules were introduced into TIOPA 2010 by Schedule 10 of Finance Act 2016 and came into effect on 1 January 2017.

The legislation addresses any mismatches in one of two ways; through either a primary response aimed at the payer or parent company, or a secondary response which applies where the primary response does not occur, which will generally be because the territory of the payer or parent company has not implemented the OECD rules.

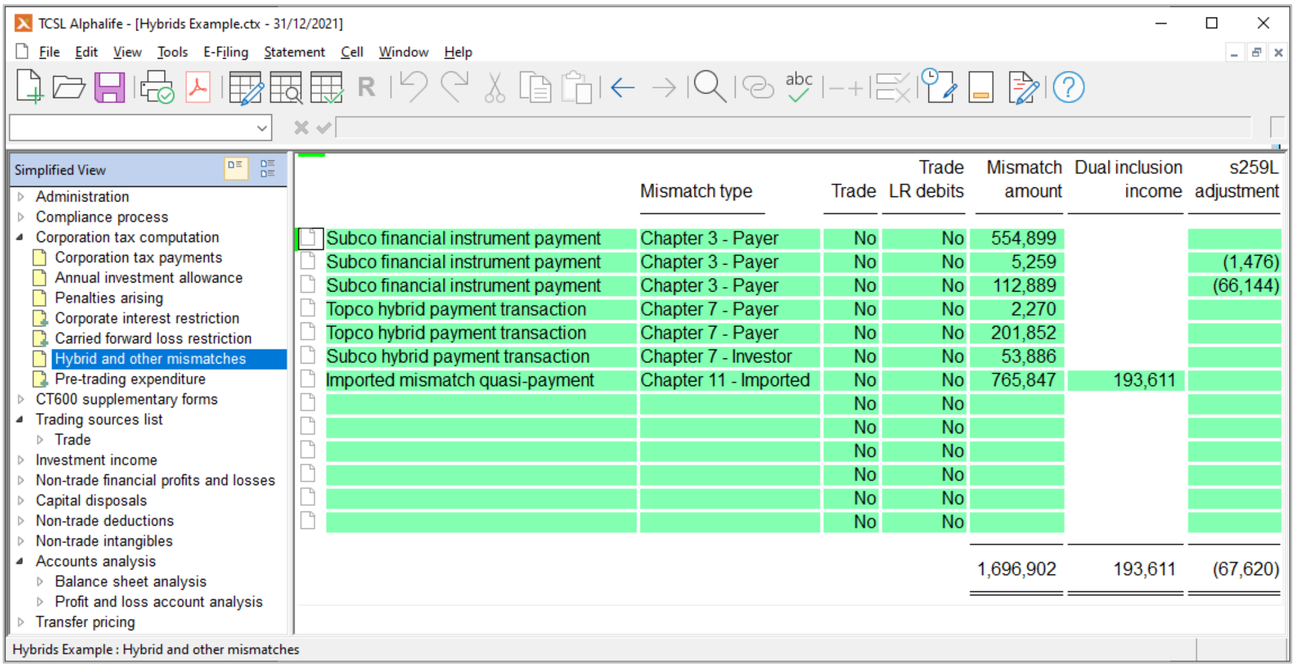
The legislation lays out a series of Chapters – 3 to 11 – which define specific circumstances in which an adjustment applies. Chapters 3 to 8 deal with deduction/non-inclusion mismatches, Chapters 9 and 10 with double deduction mismatches, and Chapter 11 with both forms under imported arrangements. These Chapters largely all follow the same structure, but the terminology is adapted in each case to target the relevant circumstances.

Across these Chapters, there are ultimately only two possible responses; to deny a deduction for the mismatch amount, or to bring a corresponding amount into the charge to a relevant tax on ordinary income.

The calculation of the mismatch amount depends on the relevant Chapter but is broadly equal to the amount of the double deduction or the amount by which allowable deductions exceeded taxable income.

Alphatax treatment

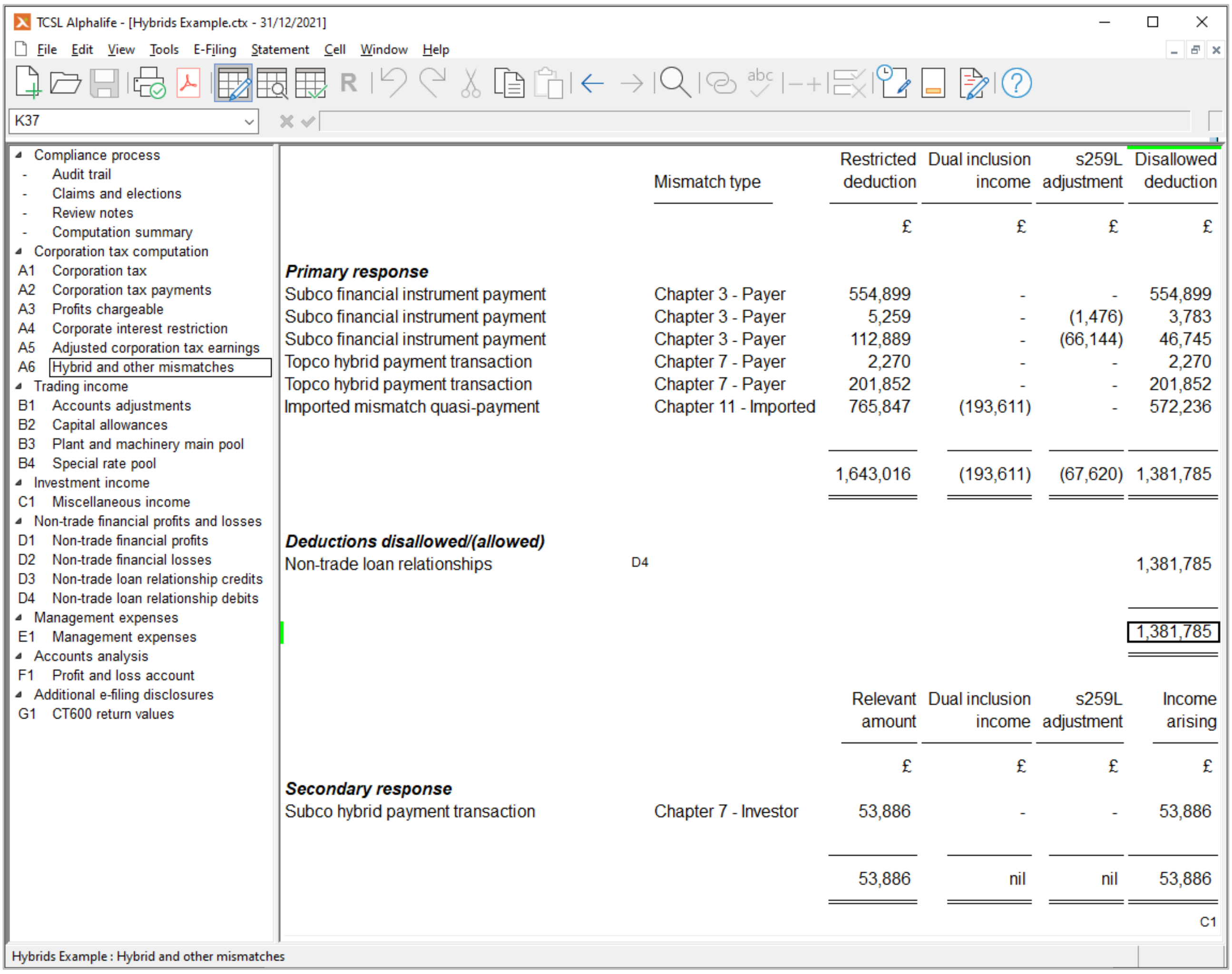
The *Hybrid and other mismatches* input statement appears in the *Corporation tax computation* section of the contents tree and is designed to allow relevant details for any mismatch transactions to be entered:



Along with the **Mismatch amount**, the **Mismatch type** and a trade or non-trade categorisation should be specified to allow Alphatax to determine the correct treatment in the computation.

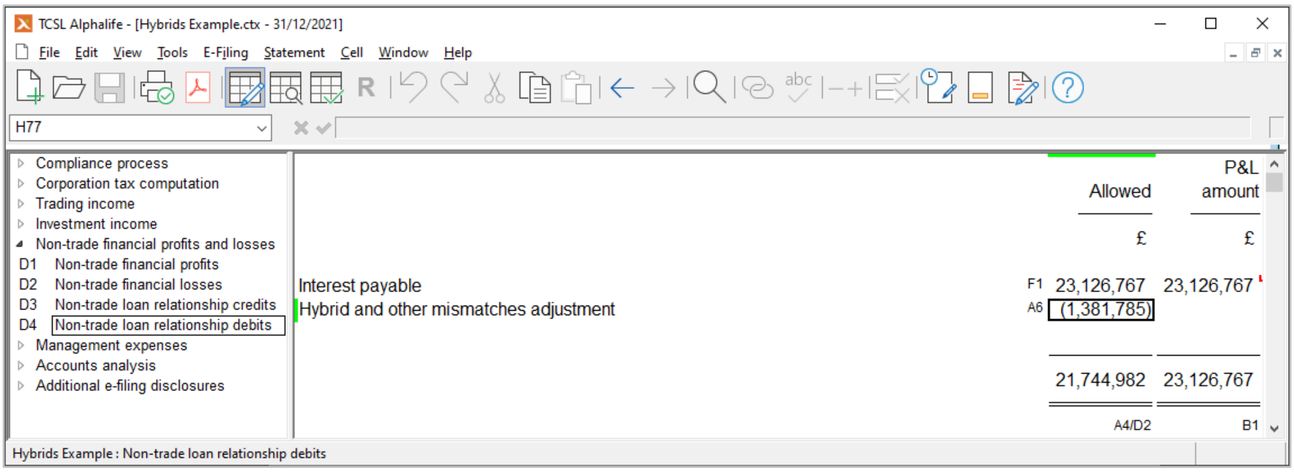
Further inputs are provided for adjustments that may apply, for example under s259L or s259LA. Under certain Chapters, the adjustment amount may be carried forward to be re-allowed against **Dual inclusion income** of later accounting periods. **Brought forward** and **Carried forward** columns will be displayed where these rules apply.

In report mode, Alphatax will derive the amount of the adjustment required under either the ***Primary response*** or ***Secondary response***:



	Mismatch type	Restricted deduction	Dual inclusion income	s259L adjustment	Disallowed deduction
		£	£	£	£
Primary response					
Subco financial instrument payment	Chapter 3 - Payer	554,899	-	-	554,899
Subco financial instrument payment	Chapter 3 - Payer	5,259	-	(1,476)	3,783
Subco financial instrument payment	Chapter 3 - Payer	112,889	-	(66,144)	46,745
Topco hybrid payment transaction	Chapter 7 - Payer	2,270	-	-	2,270
Topco hybrid payment transaction	Chapter 7 - Payer	201,852	-	-	201,852
Imported mismatch quasi-payment	Chapter 11 - Imported	765,847	(193,611)	-	572,236
		1,643,016	(193,611)	(67,620)	1,381,785
Deductions disallowed/(allowed)					
Non-trade loan relationships	D4				1,381,785
					1,381,785
		Relevant amount	Dual inclusion income	s259L adjustment	Income arising
		£	£	£	£
Secondary response					
Subco hybrid payment transaction	Chapter 7 - Investor	53,886	-	-	53,886
		53,886	nil	nil	53,886
					C1

The corresponding tax adjustments will then automatically be created in the tax computation:



		Allowed	P&L amount
		£	£
Interest payable	F1	23,126,767	23,126,767
Hybrid and other mismatches adjustment	A6	(1,381,785)	
		21,744,982	23,126,767
		A4/D2	B1

Leased cars emissions rates

The restriction of 15% that applies to deductions for rental payments on certain leased vehicles under CTA 2009 s56 includes those that are not considered low CO2 emissions cars. The CO2 emissions threshold for a low emissions car for the purposes of this restriction is taken from the capital allowances definition at CAA 2001 s104AA.

SI 2021/120 reduced the threshold from 110g/km to 50g/km with effect for lease contracts entered into on or after 1 April 2021 (6 April 2021 for income tax rules).

The trade and non-trade *Leased cars* input statements in Alphatax have been updated to apply the restriction based upon the updated emissions threshold. Alphatax will require the **Lease start date** to be entered for leased cars to apply the correct threshold.

6. Returns and e-filing

Final 2021 tax return forms

As a result of the introduction of the CT600L from 1 April, the previous edition of Alphatax included the 2021 versions of the tax return forms in draft format. Now they are available, we have reviewed the final versions of these forms to ensure that no further changes are required.

Accordingly, an updated version of the PDF for the form SA800 is included with this release to reflect minor narrative changes made by HMRC, although there are no changes to the boxes or the associated electronic submission schema.

The forms CT600 (2021) and SA700 (2021) are unchanged.

Further to this, we have also now removed the form CT600 (2020) from Alphatax with the 2021 version now being used for all accounting periods beginning on or after 1 April 2015 (in line with the heading on the form).

CT600

Coronavirus support schemes and overpayments

The recently-updated Company Tax Return guide clarifies that any overpayment due to HMRC in relation to coronavirus support schemes is charged to income tax and not corporation tax.

We have accordingly changed the presentation of our *Corporation tax* report statement to make clear that this is not an amount of corporation tax and is not paid as such. The overpayment has also been removed from tax accounting.

Note that our population of the form CT600 was already correct and is unchanged.

Miscellaneous CT600 changes

- In this version of Alphatax we have introduced a new diagnostic to prompt users to consider completing the **Bank details** boxes on the CT600 where there is a repayment of tax in the period. The relevant fields are available on the *Repayment details* input statement.

This diagnostic has been added in response to feedback from HMRC highlighting significant processing delays arising where these boxes are not populated. The Company Tax Return guide advises that these boxes are completed for *all* returns:

> Bank details (for person to whom the repayment is to be made)
>
> The quickest and safest method of repayment is for HMRC to send it directly to the company's bank or building society account.
>
> **HMRC needs you to provide the account details every time you complete a return form.**
>
> **If you are sending in more than one return at the same time, the details must be entered on both. It is best to do this whether or not you think there may be a repayment at present.**
>
> Complete boxes 920 to 940 with the details of the company's (or its nominee's) bank or building society account.

Nevertheless, a corresponding flag has also added to suppress this diagnostic as, although recommended, this repayment approach is not mandatory under HMRC's e-filing schema.

- In line with recently-updated guidance in the Company Tax Return guide, we have re-introduced the **Reliefs in terms of tax** field on the accessory statement for the *Controlled foreign companies (CT600B)* statement.

  This field had become redundant – although the column was never removed on the CT600B – following the rewrite of the CFC rules by F(No.2)A 2015. New guidance from HMRC however now states that this field should be used to record "the amount of tax on any profits excluded by the making of a claim under Chapter 9 of Part 9A, TIOPA 2010".

CT600L

Step 2 and step 3 brought forward amounts

HMRC recently introduced the form CT600L – *Research and development* – which must be used to support R&D tax credit claims for any new or amended submissions from 1 April 2021. We included support for this new supplementary page in our V20.1 release earlier this year.

As detailed in our Release notes for that edition however, there was a known issue with the e-filing validation rules implemented by HMRC which meant that the treatment of step 2 and step 3 amounts brought forward could not be reflected on the form correctly:

- Step 2 amounts should be deducted from any corporation tax liability of the following period under s104O(2). The CT600L however is designed around the 7-step calculation under s104N and does not include a box for this s104O offset. The form must be populated as if this were a credit being offset under step 1, and where any balance remains it would then not be possible to stop this from incorrectly feeding into the later steps on the form. Because of these issues, Alphatax previously did not complete the form CT600L in this scenario and box 530 on the return was accordingly returned as zero.
- Step 3 amounts should be treated as a set off amount for the following period in line with the wording of s104N(2). The validation rules however resulted in any such amount remaining after step 1 in the following period being fully restricted at step 2, rather than being available for relief under the remaining steps:

RDEC Step 3 Example in V20.1
Year ended 31 December 2021

A3 R&D expenditure credits - set off amount

		£	£
R&D expenditure credits under s104A CTA 2009			
R&D expenditure credit brought forward (Step 3 excess amount)			1,000,000.00
Set-off amount available for current period relief	below		1,000,000.00
Payment of R&D expenditure credit under s104N CTA 2009			
Set-off amount	above		1,000,000.00
Step 1 - Discharge CT liability of current accounting period	A1		(380,000.00)
Step 2 - Reduction to net value of the set-off amount	below		(620,000.00)
Step 3 - Total expenditure on workers		2,000,000.00	
Step 3 - R&D expenditure credit carried forward	A5		-
Step 7 - R&D expenditure credit payable to the company			nil
Net value of set-off amount			
Net value of set-off amount	above		nil

Taxpayers facing either of these scenarios have been advised to not submit the computation. We have been liaising with HMRC on a solution, and during May they issued an update to their e-filing schema (to version 1.96) which now allows the boxes to be populated more correctly. Note that the form CT600L itself remains unchanged.

Accordingly, in this release Alphatax will now automatically apply the appropriate treatment specified by HMRC for these two scenarios:

- For step 2, Alphatax will now complete the form CT600L by entering the amount brought forward that is deducted from the corporation tax liability of the period in box L20: **Amounts from a previous accounting period treated as RDEC for this accounting period**. The relevant offset can then be reflected in box L45 whilst satisfying existing validation rules. We would highlight that the narrative for this box is not appropriate for step 2 amounts and this could cause some confusion, particularly as:
  - it is not the full amount step 2 brought forward amounts that is entered, and
  - this box will be shared with any step 3 amounts that may also have been brought forward.
- For step 3, HMRC have removed a validation rule which applied to box L65 and reflected the calculation of the net value of the set off amount. The result is that the remaining step 3 amount is no longer restricted at this stage and can feed into the remaining steps in line with the correct legislative treatment. We would again note that, in our view, HMRC have removed a validation rule that was correct, and they should instead have considered the rule for box L60 where the form and validation continue to incorrectly reference box L15 only. Box L60 is now not meaningful where brought forward amounts are present.

The relevant changes will be automatically applied by Alphatax to all computations where the CT600L is in use. For existing computations being opened in the new release, where the step 2 issue was relevant, the computation will be unchanged, but users will now see the CT600L being populated in the tax return along with box 530. For step 3, the *R&D expenditure credits – set off amount* report in the computation will likely change with the amount no longer being restricted at step 2, and instead being available for relief under the remaining steps (reversing changes which were introduced in the V20.1 release with the introduction of the CT600L). An existing diagnostic will appear where this affects the treatment of the credit:

CP1 **Diagnostics**

Number of diagnostics to be addressed **1**

ID	Input statement / diagnostics	Further information		
	Corporation tax computation			
	Corporation tax payments			
1552	R&D expenditure credits - sum of payments flagged as "Step 7 payable amount" does not agree with the calculated amount	See R&D expenditure credits - set off amount input statement	A2	0.00 <> 620,000.00

Note
Select Go To via right click on any diagnostic to navigate to the relevant input

Miscellaneous CT600L changes

Upon the introduction of the form CT600L, to not change the appearance of existing computations back to 2015, we introduced our own application control of periods of account ending on or after 31 March 2020. A flag is provided on the *Submission options* input statement to switch on the changes, which may be required when submitting an amended return.

The display rule for this flag however did not take account of scenarios where box 530 was populated previously but would not be following the introduction of the CT600L. We have now addressed this issue such that the flag will always be available when needed.

Other tax return forms

Partnership tax return

Due to an e-filing limitation within the partnership e-filing schema – referred to under special case 4 in HMRC's Partnership Specials and Exclusions document – submissions with more than 50 chargeable disposals will fail submission. We have now introduced a diagnostic for this scenario to warn users that their submission will fail. Disposals in excess of the limit should be amalgamated into a single disposal item in Alphatax, in line with HMRC's suggested workaround:

HM Revenue & Customs

Unique ID	Box number	Issue	Workaround	Status
4	Limit restrictions on iterative boxes	If you attempt to submit more boxes (i.e. iterative) than is allowed by the schema (technical documentation) your return will fail when filed online, unless you follow the workaround.	If, exceptionally, you have more items to include in a section than the schema (technical documentation) allows, amalgamate items as follows (but it is permissible for you to amalgamate as seems sensible): • Complete all but the final entry line as normal. • Amalgamate any remaining items together & enter the total in the final entry line. • Note that in all cases if there is a total box it must show the total of all the entry lines including the amalgamated line(s). • Include an attachment with the return (or use additional space) to make a full return of those items amalgamated for convenience.	-

Reclaim tax paid by close companies on loans to participators

We have re-engineered the system that Alphatax uses behind-the-scenes to create printed versions of the *Reclaim tax paid by close companies on loans to participators* form L2P. We now use the PDF form produced by HMRC directly, rather than using a substitute version, which will improve the quality of the printed output.

7. Specialist companies

Life assurance companies

Carried forward loss restriction

By default, Alphatax allocates any Step 2 reliefs firstly to trading profits, then to non-trading profits including long-term business fixed capital, and finally to shareholders' share of I-E income. In response to a customer request, we have now provided manual overrides to change the order of this offset against Modified total profits of life assurance companies.

Corporate interest restriction

BLAGAB trade tax-interest income excluded for the purposes of adjusted corporation tax earnings is calculated by Alphatax by reference to BLAGAB interest income in the I-E calculation. This is an assumption however as Alphatax does not have the complete information required. An existing override is accordingly available in the *Adjusted corporation tax earnings* input statement.

To highlight this, we have now added two new diagnostics which prompt users to consider if the tax-interest income or expenses for BLAGAB trade purposes is the same as used for the I-E calculation.

Miscellaneous life assurance company changes

- We have resolved an issue on the *Transfer pricing* input statement whereby a reconciliation section for trade adjustments was not appearing for life assurance computations in periods ending before 31 March 2020, preventing the adjustment from be allocated to a Non-BLAGAB trade.

In periods ending after this date, trade-related transfer pricing adjustments are automatically allocated to Non-BLAGAB trade if a general business does not exist. Otherwise, the reconciliation section displays and the allocation between Non-BLAGAB and general business may be made manually.

- We have made amendments to the existing diagnostic 1311: **Management expense restriction for BLAGAB trade loss relieved does not equal losses utilised***.* This diagnostic displays where any manual entries of BLAGAB losses utilised (for the purposes of the s76 FA 2012 Step 4 management expense restriction) do not equal the amount of BLAGAB loss utilised in period.

  When calculating the BLAGAB loss utilised, however, the diagnostic did not include the relief for BLAGAB trade loss brought forward offset against total profits under s124B or carried forward loss group relieved under Chapter 3 Part 5A of CTA 2010. Both reliefs have been added to the diagnostic in periods ending on or after 30 June 2020.

8. Miscellaneous changes

Carried forward loss restriction

We have addressed an issue with the calculation of the available deductions allowance for a nominated company with a 1-day accounting period. In the previous version, a test in the tax rules was based on the start and end dates of the nomination period – which was designed to ensure that any nomination period dates entered fall within the accounting period – was inadvertently causing the deductions allowance to be calculated as zero.

Capital allowances

- We have addressed an issue on the trade *Structures and buildings* allowances statement where the calculation of the writing down allowance available for an accounting period, in contrast to the other capital allowance pools, was not being affected by any start or end date entered for the trade itself.

As this was an unusual issue, and customers could have resolved by creating a transfer in or out at the time of the start/cessation date, we have addressed without an application date.

- Following a query from more than one user, we have now made CAA 2001 s259 special leasing expenditure entered on the *Plant and machinery* input statement qualifying for the purpose of the annual investment allowance.

Any expenditure entered will now appear on the *Annual investment allowance* input statement with inputs provided to allow for the allowance to be allocated in the usual way. We believe this addresses a previous oversight in the correct technical treatment for these amounts.

To not affect any allocation in older periods, these changes have been made for accounting periods ending on or after 31 March 2021.

Fixed assets

In some situations, Alphatax was previously incorrectly showing a blank **Fixed-rate election rate** column on the *Analysis of intangible additions* report statement even where no additions in the period had elected for the fixed-rate allowance. The display rule of this column has now been updated to consider if there have been any additions in the period that elected to use the fixed-rate allowance.

Other miscellaneous changes

- In this version of Alphatax we have introduced notes on the *R&D expenditure credits* and *Enhanced expenditure reliefs* input statements which serve as a reminder for users to only enter amounts which adequately meet the legislative and HMRC definition of R&D or land remediation expenditure.
- In the previous release we enhanced the trade adjustments and *Management expenses* statements by offering users an additional layer of inputs to apply XBRL tagging. This feature allows for a classification from a drop-down list on the face of the statement. We have now extended this feature to the *Miscellaneous income* item-level statement.
- In previous editions, Alphatax was incorrectly showing a diagnostic relating to a required rebasing market value entry where a non-resident company was disposing of a direct interest in UK land or property that was not residential. We have now relaxed the display of this diagnostic in this scenario.

9. Optional modules

Accounts analysis

We have addressed an issue with the display of negative NBV disposals entered on the accounts analysis statements for the **Finance/RoU leases SP3/91** and **Finance leases other** categorises, whereby the corresponding amounts were appearing in the incorrect column on the *Fixed assets* statement.

Tax accounting

The ***Tax accounting analysis*** section of the finance and operating *Lessor accounting* input statements in the *Balance sheet analysis* section of the contents tree allows for the amount of any ineligible leases to be entered, which can in turn be used to drive amounts recognised for deferred tax purposes.

In previous editions however, Alphatax did not allow negative amounts to be entered in these fields. This has now been resolved for both the finance and operating lease versions of the statement and for both free-format and accounts analysis computations.

Group module

Carried forward group relief

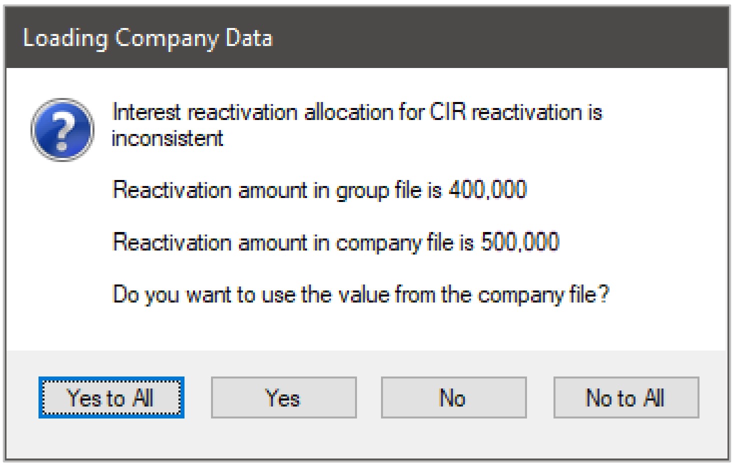
Based upon the existing **Date joined** input, a new note will be displayed on the *Group relief carried forward* input statement to advise users that they may need to consider the 5-year restriction on the surrender of carried forward losses which applies under CTA 2010 s676CB.

The general rule is that recently acquired companies may not surrender carried forward losses to members of the group, who did not join at the same time, for a period of 5 years. Any inputs made for carried forward group relief should be limited accordingly.

Corporate interest restriction

- We have resolved an issue with the refreshing of reactivated amounts of disallowed tax-interest from company computations in the Group module.

  Such amounts are entered as positive allocations in Group, but the sign is changed to be negative upon posting to company level to distinguish these from restrictions. Where there is a mismatch between the company and group values meanwhile, Alphatax will display a warning message advising the user, and providing an option of updating the company computation amount in the Group module:

  Where the user choses to do this, Alphatax was previously presenting the amount as negative in the Group module. The sign will now be swapped correctly.

- We have addressed a rounding issue with the **Disallowed tax-interest brought forward** being translated from company currency into the Group module which caused a diagnostic to incorrectly display even where available and allocated reactivation amounts were the same.
- Following on from work included in the previous release, we have now added or removed a limited number of fields from the *Interest restriction return API* input statement to reflect changes to HMRC's draft schema. Inputs for agent details are now provided, whereas the total number of companies in the group is no longer needed.

Miscellaneous group changes

- Following a user enhancement request, the company flag **Display prior year comparisons figures in report mode?** has been added to the *Company configuration options* input statement within the group module. Note that this flag is disabled for the first Alphatax period of a computation.

  Similarly, the flag **Company is dormant?** has now been made available in the Group module on the *Membership details* input statement.
- We have addressed an issue with the translation of trade losses amounts on the group relief carried forward *Loss utilisation carried forward* statement in the Group module where group translation mode is enabled.

10. Templates

We have made the following changes to the new company and free-format templates provided by Alphatax. In all cases, any templates in use in existing computations will be unchanged in the new version. Statements should be recreated for any changes to take effect.

Capital allowance updates

The following templates include capital allowances additions analysis sections and have therefore been updated to include new columns for the super-deduction and SR allowance expenditure incurred between 1 April 2021 and 31 March 2023:

Company templates

- No trade – investment company with property business.ctx
- No trade – investment company.ctx
- Property – property business company.ctx
- Trading – multi trade company (2 trades).ctx
- Trading – single trade company.ctx
- Trading – trading company with divisions (1 trade).ctx
- Trading – trading company with property business.ctx

Statement templates

- Assets – Additions with pre-trading capital expenses.tut
- Assets – Fixed asset trading additions.tut
- Division – Fixed asset trade additions.tut

11. Platform enhancements and bug fixes

The following enhancements and bug fixes have been made:

- With the increase in the number of people working from home, and accessing Alphatax files via remote network drives, we became aware that the speed of the assembly stage of the E-Filing process could suffer when users accessed Alphatax files through low bandwidth connections. We have made changes to the Alphatax e-filing assembly process to improve performance in this scenario.
- An issue has been resolved in the group module for the corporate interest restriction calculation. Where a check for the company-level amount differs to group, the user is given the option to use the company value, but when doing so was incorrectly bringing in a negative amount for a reactivation value.
- An issue has been resolved in which a small number of customers were experiencing problems with Alphatax being unable to e-file computations (or generate a PDF tax return) containing a large number of partnerships or CFCs. This was resulting in a "row limit exceeded" error message, or even a software crash with earlier AT versions.
- A customer issue has been resolved with a footnote containing GBP and single quote characters entered into the Miscellaneous income list statement. After assembly, the formatting appeared corrupt when viewing the html version of the computation.
- An issue with posted partnership values causing unresolvable diagnostics has been resolved. In particular this was affecting the adjustments analysis statement whereby posted values could not be reconciled to the mandatory XBRL section in the accessory statement.

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