Davis & Co.
New Forest Accountants

Spring 2019

Newsletter

Welcome to our Spring 2019 Newsletter.

Well what a year it's been since our last Newsletter! The Brexit deadline has been and gone and we are currently awaiting confirmation of a new deadline for leaving.

Due to this we will be issuing a 'Brexit Update' later in the year once we have confirmation of our divorce bill and how it will affect our clients.

Following on from last year, this Newsletter is definitely another long one, as we endeavour to include as much as we can that may of be relevant to our clients. Despite Brexit taking up most of the attention of Government, we have still had another full year of updates and new initiatives. We have tried to cover as many of the topics as possible, some in more detail than others, and we hope you will find the contents useful, as well as interesting and informative.

Again, we have been very fortunate to have had another good year, and it's so great that nearly all of our new clients are from recommendation. The children are also getting more and more useful the older they get, with Matilda definitely in control of the filing and Thomas has become the go to person for scanning.

Income Tax Rates:

The basic personal allowance will increase from £11,850 to £12,500 from 6th April 2019. The basic rate band increases to £37,500 and the higher rate threshold will rise to £50,000 in 2019/20 tax year. This excludes Scotland where a progressive tax rate has been implemented, with the starter rate of 19% being from £12,500, with the basic rate of 20% being from £14,549, the intermediate rate of 21% being from £24,944, the higher rate of 41% being from £43,430 and a top rate of 46% on income over £150,000.

A reminder that not everyone has the benefit of the full personal allowance. There is a reduction in the personal allowance for those with 'adjusted net income' over £100,000, which is £1 for every £2 of income above £100,000. So for 2019/20 there is no personal allowance where adjusted net income exceeds £125,000. Contact us for advice on planning to avoid this effective 60% tax rate.

Tax Bands and Rates – Dividends:

The Dividend Allowance is remaining at £2,000 for the 2019/20 tax year.

Dividends received above the allowance are taxed at the following rates:

- 7.5% for basic rate taxpayers
- 32.5% for higher rate taxpayers
- 38.1% for additional rate taxpayers.

Dividends within the allowance still count towards an individual's basic or higher rate band and so may affect the rate of tax paid on dividends above the Dividend Allowance.

To determine which tax band dividends fall into, dividends are treated as the last type of income to be taxed.

Don't Lose your Personal Allowance:

For every £2 that your adjusted net income exceeds £100,000 the £12,500 (2019/20) Personal Allowance is reduced by £1. Pension Contributions and Gift Aid can help to reduce the adjusted net income and save tax at an effective rate of 60%.

The restriction applied between £100,000 and £125,000 adjusted net income. Another way that you could avoid this trap would be to agree with your employer to sacrifice some of your salary in exchange for a tax free benefit in kind. These rules changed from 6 April 2017, but employer pension contributions, bicycles and employer provided childcare would continue to be tax effective.

Loan Charge:

Sometimes past decisions can come back to haunt you. If you were persuaded to take a loan in place of part of your pay in the past and you have not repaid it, you may now be liable to pay a new tax called the loan charge.

This charge applies if you have not settled the amount of tax, penalties and interest owed in respect of the loan scheme you used. HMRC has been writing to those taxpayers who were involved in such schemes warning that the loan charge will be due on 5 April 2019.

If you have received such a letter you need to contact HMRC to reach a settlement before 5 April 2019. You will not have to pay all the outstanding tax in one go;

HMRC will automatically offer you an arrangement to spread the payments over up to seven years if your current annual income is less than £50,000.

However, HMRC will charge forward interest of 4.25% on the outstanding amount, so it will be to your benefit to pay as quickly as possible. Any income tax you have already paid on the benefit-in-kind of having a low interest or zero-interest loan should be deducted from the loan charge tax due.

We can help you negotiate a settlement with HMRC.

Scottish Income Tax Rates:

Income tax for Scottish taxpayers changed significantly from 6 April 2018, as their earnings, pensions and profits will be subject to up to five rates of Scottish income tax.

You are classified as a Scottish taxpayer if your main home is in Scotland, in which case you should have a PAYE code that starts with 'S'. If you are a Scottish taxpayer who is self-employed, you will pay the Scottish tax rates shown in the table plus NIC of 9% instead of 12%.

Scotland – Scottish rate of income tax (SRIT):

Rate	%	Range
Starter	19%	£1 - £2,049
Basic	20%	£2,050 - £12,444
Intermediate	21%	£12,445 - £30,930
Higher	41%	£30,931 - £150,000
Top	46%	Over £150,000

Revenue
Scotland
Teachd-a-steach Alba

Lack of Awareness of Welsh Income Tax Changes:

The way income tax is set in Wales will change at the beginning of next month, with the Welsh government setting Welsh Rates of Income Tax (WRIT), but not enough people know about it, according to a report from the National Assembly's Finance Committee

WRIT will be devolved to Wales on 6 April. The UK government will reduce each of the three rates of income tax – basic, higher and additional rates – paid by Welsh taxpayers by 10p.

In January 2019, the Assembly agreed the motion to add back 10p to the reduced UK rates, which means no changes will be made to the overall levels of income tax when WRIT is implemented in Wales for 2019-20. Welsh income taxpayers will therefore continue to pay the same amount as those in England and Northern Ireland.

PAYE individuals resident in Wales will receive a new tax code that begins with 'C', including taxpayers whose income is below the tax threshold, and those who are self-employed will be asked to note their country of residence on their 2019-20 tax return.

WRIT will continue to be collected by HMRC and allocated to the Welsh government as part of its spending budget.

However, an online poll conducted by the finance committee found that almost a third of people who responded did not know about the changes, despite the fact that notification letters had been sent in November 2018 to around two million taxpayers living in Wales, informing them of the transition to WRIT.

The poll via social media found 69% were aware of the impending change, but 31% were not.

Llyr Gruffydd, chair of the finance committee, said: 'The introduction of WRIT represents a significant increase in the portion of taxes paid by Welsh taxpayers which are decided in Wales.

'But we are concerned by the evidence, including constituency feedback and the committee's own indicative poll, which suggested a disappointingly high proportion of the population were as-yet unaware of the impending implementation of Welsh rates of income tax.'

The committee also expressed its disappointment that Alun Cairns, the secretary of state for Wales, had refused to give evidence to its inquiry, given that collection of income tax remains a responsibility of the UK.

The committee makes four recommendations in its report. These include an update on the formal evaluation of the communications activity which have taken place ahead of the WRIT implementation, as well as an update on the costs of the implementation and confirmation of the HMRC annual operation costs charge.

The committee is also seeking annual updates from the Welsh Revenue Authority (WRA) in respect of their workforce planning and the steps being taken to retain knowledge and experience within the organisation, until the appointment of a permanent chief executive, and wants an update on the final costs to disapply stamp duty land tax and its associated costs in Wales.

The report will now be considered by the Welsh government.

Student Loans:

The Department for Education has confirmed that from 6 April 2019 the Plan 1 threshold increases to £18,935 from £18,330 and the Plan 2 threshold to £25,725 from £25,000 but the rate of deduction for both remains 9%.

STUDENT
LOANS

Personal Tax Account:

Like everything in life these days, HMRC is moving towards making tax more accessible online. People who file their tax returns online may already know how to access this service. They may be aware that they can review the information entered on their tax return, make amendments and check their end of year tax bills etc. in an instant.

However, as the vast majority of people do not need to complete tax return's they would not necessarily be aware that they can access, view and manage their own personal tax information online, any time they choose. In 2015, HMRC introduced the Personal Tax Account (PTA), which allows you to view and manage your personal tax affairs online, in one safe place.

In order to access a personal tax account, individuals need a Government Gateway account, a national insurance number and proof of identity. Bank account details, a P60, the three most recent payslips and passport number and expiry will be accepted as proof of identity.

Individuals who have used HMRC online services previously should have a Government Gateway account already. Those setting up a Government Gateway account for the first time need their name, date of birth, national insurance number, and email address in order to sign up. They will then be required to create a password and will be sent a user ID.

Once the account has been activated, individuals will be able to select the services they wish to use, following which the relevant department will send an activation code.

Here are some examples of the services that you can access and the information you can view and update in your PTA. You can:

- check your income tax estimate and tax codes
- review previous years to see if there was any overpayment or underpayment of tax
- fill in, send, and view a personal tax return
- claim a tax refund
- check and manage your tax credits
- check your State Pension
- track tax forms that you've submitted online
- check or update your Marriage Allowance
- tell HMRC about a change of address

- check or update benefits you get from work, for example company car details and medical insurance
- find your National Insurance number

Millions of people have already accessed their PTA, but for those that haven't, it might be because they've never heard of it before, or don't use computers, or may not feel confident enough going through the steps online to sign in on their own. If you need assistance with your PTA, please contact us.

GOV.UK
Search
Personal Tax Account

Tax Credits and Benefits:

No increases in child tax credit, working tax credits or child benefits have been announced.

Tax credits

Check your PAYE Code for Interest:

When you receive your PAYE Code or Tax Computation, carefully check any amount of interest shown as received.

HMRC regularly received details of interest paid by banks and building societies to individuals. In the past, it has used this information to check the amount on Tax Returns. However, it is now inserting the actual interest receipts into Tax Computations (Form P800), and Simple Assessment (Form PA302).

HMRC is also using 2018-19 interest data as a proxy for the interest expected to be received in 2019-20, and is amending PAYE Codes (Form P2) accordingly.

Interest on joint accounts should not be used but the fact that the account is held jointly may not have been reported accurately by the bank.

You won't pay tax on interest if it is covered by your Personal Savings Allowance of £1,000 ((£500 for Higher Rate Taxpayers). Where you have little earned or pension income, your interest may be covered by your savings rate tax band of £5,000.

If you believe the figures in your PAYE Code are incorrect you can ask for an amendment using your Personal Tax Account.

PAY
TAX
CODES

Universal Credit Update:

The phased introduction of Universal Credit has been pushed back numerous times. The rolling out of the full digital service of Universal Credit to all areas of the country was completed on 12 December 2018 for new claims or for people having to make a new claim due to a change of circumstance.

The government plans to start transferring a few people from the existing benefits or tax credits onto Universal Credit from July 2019. This process is known as managed migration. The Secretary of State has announced that they will begin by transferring around 10,000 people in 2019 as part of a pilot scheme. They won't start moving people over to Universal Credit in great numbers until the pilot scheme has been completed and assessed. They plan to complete this process, known as managed migration, by December 2023. See our Universal Credit Timetable to keep up with the progress of the roll out.

Severe Disability Premium and Universal Credit:

From January 2019 claimants receiving the Severe Disability Premium in a legacy benefit will not be able to move on to Universal Credit, except through managed migration. Managed migration is where the government transfers people from the existing system over to Universal Credit. Managed migration will be piloted in July 2019 for a few claimants, but doesn't get fully underway until the end of 2020. People moved over to Universal Credit by 'managed migration' will not be worse off when they are transferred. If they are entitled to less under Universal Credit than under the benefits that are being replaced by it, they will receive a 'transitional amount' to top up their Universal Credit to the same amount, under managed migration.

Universal Credit Two-child Limit:

From 1st February 2019, families with more than two children who make new claims for Universal Credit will no longer be directed to claim Child Tax Credit instead. The two child limit will apply to those families. Families who have been awarded Universal Credit after April 2017 and have two or fewer children but who then have a third or subsequent child will have the two-child limit applied.

Pension Credit Child Allowances:

Also, from 1 February 2019, people of Pension Credit age who are responsible for a dependent child or children, will receive help with the child or children in the form of dependent allowances paid within their Pension Credit award. This is because you will no longer be able to make a new claim for Tax Credits (Child Tax Credit or Working Tax Credit) if you are Pension Credit age.

Universal Credit Work Allowance Increases:

Work allowances are the amount of your earnings from employment that you are allowed to keep before it is taken into account as income for Universal Credit. From April 2019 these will increase by £1000 for the year, meaning that people in work who have children or have limited capability for work (or their partner has limited capability for work) will benefit by up to £630 per year. However if you are a worker who has no children or you or your partner have not been assessed as having limited capability for work, you will still not receive help in the form of work allowances.

Claim the Marriage Allowance:

The Marriage Allowance allows an individual to transfer 10% of their personal allowance to a spouse or civil partner where the recipient is neither a higher rate nor additional rate taxpayer.

The main scenario in which a transfer is allowed and worthwhile is where one of the individuals has little income and therefore has not used their personal allowance and the other individual does not pay tax at the higher or additional rate.

Eligibility is the most important factor, as only people with these specific circumstances will be able to apply:

- You're married or in a civil partnership (just living together doesn't count).
- One of you needs to be a non-taxpayer, which usually just means earning less than the £12,500 personal allowance between 6 April 2018 and 5 April 2019.
- The other partner needs to be a basic 20% rate taxpayer (higher or additional-rate taxpayers aren't eligible for this allowance). This means you'd normally need to earn less than £50,000 or if you live in Scotland, £43,430.
- You both must have been born on or after 6 April 1935.

If either of you were born before 6 April 1935 you may be better off claiming the married persons allowance.

Once an online claim for the marriage allowance has been put in place for one year, it should apply for all later years, until you tell HMRC to stop.

Previously you were not allowed to apply to transfer the Marriage Allowance where one of the parties had died, however, the Autumn Budget 2017 announced that from 29 November 2017. Claims in respect of Marriage Allowance may be made in respect of a deceased spouse or civil partner, and that such claims may be backdated for up to four years.

Transfers could bring tax savings of up to £250 per year (2019/20 tax year).

We appreciate that you might prefer to delegate dealing with your tax matters at this time, and would be pleased to be of service.

Savings:

Personal Savings Allowance:

Since April 2016, savers have been able to grow their money tax free, thanks to the 'personal savings allowance.'

This allowance allows you to earn interest up to £1,000 interest tax-free if you're a basic-rate (20%) taxpayer, or £500 if you're a higher-rate (40%) taxpayer.

Additional-rate taxpayers don't receive a personal savings allowance, so if you earn more than £150,000 each year, you'll need to pay tax on all your savings.

All interest from savings will be paid gross, which means tax will no longer be deducted by your bank or building society.

Individual Savings Accounts (ISAs):

From 1 April there will be a small adjustment to the annual Child Trust Fund and Junior ISA savings limit with a £108 rise from £4,260 to £4,368 from 6 April 2019, equivalent to 2.5%. The interest and gains received on money saved in a CTF and Junior ISA is tax free as per standard ISA rules.

An estimated 907,000 Junior ISAs were paid into during 2017-18 tax year.

Limits	**2019/20**	**2018/19**
Annual limit	20,000	20,000
Junior ISA annual limit	4,368	4,260
Lifetime ISA annual limit	4,000	4,000
Help to Buy ISA monthly limit	200	200

IMPORTANT NOTE:

The Help to Buy ISA is only available to 30 November 2019.

When a Spouse Dies:

Money experts have estimated that because the small print about ISAs isn't widely known, almost nine in ten savers could be missing out when a spouse or civil partner dies.

On the death of an ISA-holding spouse or civil partner, it's possible to claim an extra ISA allowance. This means that the survivor is eligible for a one-off additional ISA allowance, equivalent to the value of the deceased saver's ISA: an 'additional permitted subscription' (APS) allowance. This is on top of the survivor's own ISA entitlement, which is £20,000 for the tax years 2017/18 and 2018/19.

The survivor is entitled to the APS allowance even if they do not actually inherit the ISA, and can use the allowance with the deceased's ISA provider or a provider of their choice. There are time limits for using the APS.

HMRC estimates that the survivors of at least 150,000 ISA holders each year could be eligible to take advantage of the APS. To qualify, the survivor must have been living with their spouse or civil partner at the date of death - in other words, not separated under a court order, under a deed of separation, or in circumstances where the marriage or civil partnership has broken down. Application for APS should be made to the manager of the deceased's ISA.

Premium Bonds:
The minimum amount you can save in Premium Bonds has been cut to £25.

Previously, the minimum amount you could save was £100 (or £50 by standing order), but on Friday (1 Feb) this was reduced – for both one-off purchases and regular savings.

The maximum Premium Bond holding remains at £50,000.

The change was announced in last year's Budget, alongside the news that adults, other than parents and grandparents, will be able to purchase bonds for children under 16.

National Savings & Investments (NS&I), which offers Premium Bonds, says that this option will launch at a later date.

It is the first time in the 63 years since Premium Bonds launched that the minimum investment has been lowered.

Stamp Duty Relief for First Time Buyers:

The November 2017 Budget introduced stamp duty land tax (SDLT) relief for first-time buyers who buy a property costing up to £500,000 from 22 November 2017. On 29 October 2018 the relief was extended to first time buyers purchasing through approved shared ownership schemes who choose to pay SDLT in stages.

A first-time buyer is defined as someone who has never owned a freehold or leasehold interest in a residential property in the UK or anywhere else in the world, and who intends to occupy the property as their main residence. Where there are joint purchasers, all purchasers need to be first-time buyers.

Beware of Social Media!!

HMRC are still routinely checking Facebook & other Social Media and are catching people out!! Watch what you put on your status if you're on FB or other such Media's:

Such as "*had a brilliant day sailing our new yacht*", "*been on amazing expensive holiday to Barbados*", "*Lots of School Trips for children*", "*paying a fortune for my Daughters' Wedding*".

These are all the things they are looking at, and they will be seeing if your lifestyle fits your earnings, and can use this as a reason to check your business affairs.

Rent a Room Relief:

How the rent-a-room relief works:

To qualify you must offer fully furnished accommodation in your main home - you're not allowed to let out space as offices or for other business purposes. You don't need to own the property to qualify, but if you rent you'll need your landlord's permission to sub-let.

If you're letting your own home, you'll need permission from your mortgage provider. In both cases, you need to get permission from your home insurance provider.

From April 2019, a new condition will mean that the lessor must be living in the property at the same time as their tenant for at least some of the letting period.

How much can I earn under with 'rent-a-room relief'?

Individuals can make up to £7,500, but if you the share income from the property with someone else, you can only claim up to £3,750 each.

The income limit covers everything you charge your tenants as part of the rental service - so if you charge them for cleaning, meals or laundry you'll need to count these fees too.

It means that if you use the rent-a-room scheme, you won't be able to deduct any expenses from your rental income.

Claiming rent-a-room relief - income under £7,500:

If your lodger pays less than £7,500 you'll be automatically exempt from tax for this income, and you don't need to do anything except keep a record of the income.

If you want to, you can opt-out of the scheme, and choose to have this rental income taxed under the normal rules, and pay tax on the difference between your rental income and your rental expenses.

This might work out better, for example, if you've made a loss while letting out the room in your home that you'd like to offset against the rental income from another property.

How to opt out of the rent-a-room scheme:

If you want to opt out you need to tell HMRC by 31 January after the end of the tax year in question. You can do this by writing to HMRC or through the property section of your tax return. You'll need to opt-out of the scheme each time you submit a tax return.

What to do if your income exceeds the £7,500 rent-a-room limit?

If you receive more than £7,500 from a lodger you'll need to complete a tax return.

When completing the property section of your return, you can decide how you'd like this income to be taxed, either by:

- pay tax on your profits in the normal way for a rental business (by paying tax on your actual profit after deducting expenses)
- take £7,500 tax free (£3,750 if you're one of a couple), and then pay income tax on any excess rent

Claiming rent-a-room relief vs paying tax on your rental profits:

Unless you tell HMRC otherwise, it assumes you are going to opt for method A, and your rental income will be taxed under the normal rules.

If you choose method B, you'll basically forfeit the right to claim expenses, but you'll have an extra £7,500 tax free allowance. As a rule of thumb, you'll be better off opting for this approach if your expenses are less than £7,500.

Changing methods:

There’s nothing to stop you changing methods from year to year, but each time you change you must tell HMRC by 31 January after the end of the tax year. This is noted within the property section of your tax return.

Can I claim the rent-a-room allowance on Airbnb rentals?

At the moment, the rent-a-room scheme covers short-term rentals, so you can claim it if you run a bed and breakfast, or use services like Airbnb.

Alternatively, homeowners letting rooms on Airbnb can benefit from a tax free 'property allowance' of up to £1,000 each tax year. This benefit can't be claimed at the same time as the rent-a-room allowance, though, so it won't be the right option for everyone.

Most homeowners who choose to let a room (up to the maximum 90 days a year) are likely to find the rent-a-room scheme more beneficial, while the property allowance could be a useful alternative for people letting out other assets such as parking spaces or driveways.

Landlords to Receive Less Tax Relief on Interest:

From April 2017, the tax relief on interest and other finance costs have been restricted in relation to residential properties to the basic rate of income tax.

The change means that residential property finance costs will not be taken into account when calculating taxable rental profits. Instead, your income tax liability will be reduced by a basic rate tax reduction – for most individuals this will be the interest and other finance costs at the basic rate of tax.

The restriction is being phased in between tax years 2017/18 and 2020/21. During this four year period, you can deduct some of your interest and other finance costs when calculating your taxable rental profits and use the remainder to work out your basic rate tax deduction.

The restriction in the relief continues to be phased in as follows:

- in 2018/19, 50% finance costs deduction and 50% given as a basic rate tax reduction
- in 2019/20, 25% finance costs deduction and 75% given as a basic rate tax reduction
- from 2020/21, all financing costs incurred by a landlord will be given as a basic rate tax reduction.

These rules do not apply to residential properties held in companies or furnished holiday lettings. The restrictions apply to any interest and finance costs and so would also limit mortgage application fees and interest costs on loans to buy fixtures or furniture.

In addition rules may further restrict the relief which is due where the individual's property income or total income is less than the amount on which basic rate relief is due. The computation is complex so please do get in touch if you would like us to review your position.

When thinking of investing in a new residential property, careful consideration should be given to the amount of tax relief to decide on the viability of taking on a new loan.

If you are a Scottish taxpayer, this change will also affect you. The basic rate of tax used will be the rate set by the Scottish Parliament, but otherwise, the same principles apply.

Tax on Acquiring Property in Wales:

As from April 2018 the Welsh Government and the National Assembly for Wales took responsibility for some taxes paid in Wales, and property acquisition is one major area of change. Stamp Duty Land Tax (SDLT) is replaced by Land Transaction Tax (LTT) in Wales from 1 April 2018.

Since 1 April 2016, higher rates of SDLT have been charged in Wales on purchases of additional residential property (including second homes), and LTT continues this.

Welsh first-time buyers had benefited from duty relief announced until 31 March 2018. After that, under LTT, the starting threshold for residential rates will be £180,000. According to Welsh Finance Minister, Mark Drakeford, this will take not just the majority of first-time buyers out of tax, but also many others 'looking to buy a home.'

LTT is set at 0% on residential purchases up to £180,000: 3.5% from £180,000 to £250,000: 5% from £250,000 to £400,000: 7.5% from £400,000 to £750,000: 10% from £750,000 to £1.5m and 12% above this figure.

Tax Returns - Don't Leave it until the Last Minute!

According to the most recent data, some 300,000 customers completing last year's return filed late, incurring an automatic £100 penalty. Meanwhile, a further 758,000 customers narrowly missed a fine, filing their return on 31 January, the deadline day.

31 JANUARY IS YOUR FINAL DEADLINE
URGENT
HM Revenue & Customs
Self Assessment

Property and Trading Income Allowances:

Whilst the idea of a £1,000 tax free allowance sounds simple, as always there are a number of areas which the tax payer needs to be aware of.

There are two new allowances a Trading Allowance and a Property Allowance, which were originally introduced in the 2016 budget but was one of the many items dropped due to insufficient time for debate prior to the general election. They have now been reintroduced as part of the Finance (No. 2) Bill 2017 which was published in September.

The Trading Allowance was introduced to provide simplicity and certainty for income tax obligations of individuals on small amounts of trading and sundry income from providing goods, services and other assets through, for example, selling on ebay. In its simplest form it provides for a complete exemption from income tax if total trading and sundry income in the tax year is less than £1000. Not only is there no income tax to pay but there is also no requirement to register with HMRC or file tax returns. The threshold applies to INCOME not profits and there are a number exceptions and nuances, so check with us to see if you qualify.

TAX TRICK
HOW TO EARN £1,000 TAX FREE

Check your NI record:

The amount of state pension you receive on retirement depends on how many full years for which you have paid National Insurance Contributions (NIC). The payment of National Insurance contributions entitles people to a number of benefits as well as the state pension, such as maternity allowance and bereavement benefits. NICs are payable if you are:

- aged over 16;
- an employee earning more than £166 a week for 2019/20 (£162 for 2018/19, £157 for 2017/18);
- self-employed with profits over £6,365 for 2019/20 (£6,205 for 2018/19, £6,025 for 2017/18).

In order to get a full state pension, you must have made NICs for 35 years (or have sufficient NI credits).

For the most recent available information, the best place to check is online using your personal tax account if you have registered for this service. This will cover up to the start of the current tax year. Or, you can request a National Insurance statement from the GOV.UK website for tax years that ended more than 12 months ago.

Both will tell you:

- what National Insurance payments or credits you have for the tax years requested;
- what class of contributions you made;
- if there are any payment or credit gaps (years with payment gaps may not count towards your State Pension);
- whether you can pay voluntary contributions to fill the gaps and how much it will cost.

However, neither will tell you how much State Pension you're likely to get.

NATIONAL INSURANCE NUMBERCARD
AB 12 34 56 78 A
YOUR FULL NAME
THIS IS NOT PROOF OF IDENTITY

Protecting your Lifetime Pension Allowance:

You can save as much as you want to in your pension – but if it exceeds a total amount, you could be hit with a hefty tax charge. This total is called the lifetime allowance.

In 2019/20 the lifetime allowance has been increased to £1.055m. From 2018/19, the lifetime allowance increases every year by inflation (as measured by the Consumer Prices Index rate the previous September).

In September 2018, inflation stood at 2.4%. That means the lifetime allowance in the 2019/20 tax year, starting on 6 April 2019, is £1,055,000.

What is the pension lifetime allowance charge?

Any amount you have in your pension above the lifetime allowance is subject to a tax charge. It is a one-off charge of 25% if paid as pension (meaning that you buy an annuity or take a regular income through a drawdown plan), or 55% if paid as a lump sum. The charge can be applied in either of the two ways or a combination of both depending on how you take the excess benefits above the lifetime allowance.

Individual protection 2016:

You can apply for individual protection 2016 if your pension or pensions were worth more than £1m at 5 April 2016. This protects your lifetime allowance at the value of your pensions on 5 April 2016 or £1.25m, whichever is the lowest.

You can keep on building up your pension, but must pay tax on money taken from your pensions that exceed your protected lifetime allowance.

Fixed protection 2016:

Fixed protection 2016 fixes your lifetime allowance at £1.25m, but you can no longer contribute to your pension. This tends to be the right option for people who no longer want or need to save into a pension any more.

Lifetime Allowance for Pensions Increases:

The standard lifetime allowance for pensions has increased by £25,000 in line with CPI inflation to £1,055,000 for the new tax year from 6 April 2019.

The 2.4% rise, based on September 2018 CPI, brings the lifetime allowance to £1,055,000, up from £1,030,000 from 6 April 2019 for the 2019/20 tax year and is the lifetime limit for pension savings liable to standard tax rates before a higher tax charge is made.

Any pension pot, whether lump sums or retirement income, which exceeds the annual limit, is subject to an additional tax charge. This affects funds held in defined contribution and defined benefit pension schemes. All pension schemes are treated as one pot for the purposes of the allowance.

'Funds withdrawn in excess of this, when you start to draw your cash or pension, or have excess funds on death before age 75, or on reaching 75, create additional tax charges on the excess. There is lifetime allowance protection you may be eligible for to reduce the impact of this tax,' said Kay Ingram, director of public policy at LEBC.

The rate of tax on pension savings above the lifetime allowance is 55% if it is taken as a lump sum; or 25% if it is paid in any other way, for example through pension payments or cash withdrawals.

Significant changes to pensions were made during the 2010-15 coalition government under Chancellor George Osborne including the introduction of pension freedoms to drawdown funds without an annuity, slashing the value of the lifetime allowance, which was set at £1.8m in 2011.

The allowance has been gradually cut over the last decade until it reached the £1m mark in tax year 2016/17. In Budget 2015, the Chancellor agreed to increase the allowance annually in line with CPI (consumer prices index) from tax year 2018 to 2019 onwards.

Protection Options:
It is possible to protect a lifetime allowance by arranging fixed protection or individual protection for payments made before 6 April 2016.

Under individual protection, for example, pension holders can continue to invest in a pension and protect the value of pension savings at the £1.25m allowance. However, tax must be paid on money taken out of pension savings that exceed that protected lifetime allowance. Fixed protection rules do not allow ongoing pension contributions except in very limited circumstances, which effectively remove the benefit of having any protection in place.

To apply for individual protection, individuals need to use (or apply for) their Government Gateway user ID and password, and have details of total pension savings value at 5 April 2016 and a breakdown of the amounts. This information can be provided by each pension scheme administrator.

As a tax measure, the cut in the lifetime allowance has saved an estimated £550m a year in tax relief for the highest earners, with an estimated further saving of £590m for the Exchequer in 2019/20.

State Pension Entitlements:

The state pension is clearly a worthwhile thing to have, particularly for the self-employed who will receive a pension through the new 'flat rate' pension. However, there have been numerous changes to the qualification criteria over recent years and now may be a good time to check your entitlement.

One thing which is worth bearing in mind is that it is the individual's obligation to keep track of their own entitlement and ensure that it is correct, although most people do not appreciate that. Keeping track of this over a working life is difficult but rectifying problems with the state pension at the point of retirement can be even more difficult, so a quick check of your position once every four or five years is time well spent.

Are you or have you been self-employed?

A recent case lays out some of the historic problems with the state pension. The taxpayer was both employed and self-employed between 1965 and 2013 when he retired. He was dissatisfied with his state pension on retirement and queried his NIC record. As a result he was sent a full breakdown of the NIC paid during his career. He queried a number of matters on that breakdown, including the periods of nil payment in 1993/94 to 1996/97. The taxpayer appealed his NIC record from 1965 to 2013, on various grounds including:

- it was the obligation of HMRC to send him statements showing NIC due
- he was submitting income tax returns for the same period and the Inland Revenue and National Insurance Contributions Agency must have shared the information.

The Tribunal, in summary, held that the onus was on the taxpayer to have sorted things out during his working life and that he had limited ability to do anything at the point of retirement.

State Pensions and Benefits:

State Pension (per week):

	2019/20	2018/19
Old State Pension	£129.20	£125.95
New State Pension #	£168.60	£164.35

# Applies to those reaching state retirement age after 5 April 2016

State Pension Age:

You can only claim the state pension once you reach state pension age, which is now 65 for both men and women.

A month-long process called state pension equalisation started on 6 November 2018 to make the state pension age for men and women equal.

There will be another increase in the near future and the state pension age is due to rise to 66 by October 2020 and again to 67 by 2029.

A further increase to 68 is due to take place between 2037 and 2039.

Pensions reduced
Later retirement
Work longer

State Earnings Related Pension Scheme (SERPS):

Due to the end of financial reconciliations for old contracting-out pensions, there are important changes for pension scheme administrators.

For schemes in deficit following financial reconciliation, HMRC will send out letters week commencing 1 April 2019 and the payment deadline will be 21 May 2019 at the latest.

For schemes with more than £1,000 deficit, HMRC will write off debt that was raised before 4 March 2013, this is six years before the new run date. For schemes in surplus that have agreed steps with HMRC, the refund letters are expected to be issued week commencing 13 May 2019.

HMRC Scam E-Mails:

Every year tens of thousands of these emails are sent appearing to originate from HM Revenue and Customs. They are actually from scammers attempting to get your bank or card details – this is called Phishing. A lot of people must fall for this scam or the scammers wouldn't keep sending them out.

The email informs you of a tax refund you are entitled to receive and all we have to do is claim it. It then goes on to tell you that it can be transferred directly to your bank account and all you have to do is enter your bank details. It then directs you to a link where you can enter your bank details, *this is where they steal your details*. Never click on links from any emails to enter bank details, always go direct to the source website.

HM Revenue and Customs has stated that *'HMRC will never tell you about a tax rebate, or ask you to disclose personal or payment information by email'*.

If you do receive one of these emails just disregard it. If you wish to, you can report these as HMRC has set up a dedicated phishing email reporting service at phishing@hmrc.gsi.gov.uk . Forward the email to them and their Fraud team will look into it.

This is not the only scam to appear to originate from HMRC, there are others connected to online VAT and tax and as the use of online filing becomes more widespread so will the devious scammers emails.

So be vigilant, have a good anti-virus program, be careful about clicking on links in emails and do not enter bank details through any email ever. Ever.

Self-Employed and Want A Mortgage?

Can I get a mortgage if I'm self-employed?

Yes, you could still find a mortgage if you are self-employed, but there are some boxes you need to tick first. Here is what you need to know about getting a self-employed mortgage.

What counts as self-employed?

You will be classed as self-employed if you own around about 25 percent of a business or more. Those who are in a partnership are treated the same as those who are sole traders.

Is it difficult to get a mortgage if you're self-employed?

You have to prove how much you earn when you apply for a mortgage, because lenders will want to make sure you can afford the monthly payments.

Proving your income is sometimes more difficult if you're self-employed, but you should be able to do this if you can get the right paperwork together.

Where can you find a self-employed mortgage?

Most lenders offer a wide range of mortgage deals for self-employed people.

Can you still get a self-certification mortgage?

No, the Financial Conduct Authority (FCA) banned self-certification mortgages in 2011. This stopped people applying for mortgages where they did not have to prove their income.

Who can get a self-employed mortgage?

Most lenders are happy to give mortgages to self-employed people if:

- You have been trading for at least three years
- You have two years of accounts or self-assessment tax returns available

There may be some discretion around the deposit that's required, or your credit rating. You may also be able to find a lender who would consider your application if you have one year of accounts plus a projection, but these are in the minority. Some stricter lenders may want to see a prediction of your future clients or contracts, to make sure you can afford your mortgage repayments.

How is a self-employed mortgage calculated?

The amount you can borrow and the way it's calculated depends on the lender, which is why it is important to shop around for the best deal.

Some lenders set the amount you can borrow based on your previous few years' income, whereas others calculate it based on only your previous year of trading.

Can you get the same offers as people who are employed?
Yes, there is no reason why being self-employed should limit the mortgage deals available to you. Most lenders do not discriminate on this basis.

Look at all your options, and make sure you have the evidence you need to prove that you are able to repay the loan. You're more likely to get a mortgage if you have:

- A healthy deposit
- A good credit rating
- Enough income to cover your mortgage repayments

How to improve your chances of getting accepted:

- Get help finding and applying for the right mortgage from an expert broker
- Always keep your business paperwork, accounts and electronic records up to date
- Use an accountant if you need help organising your accounts and taxes
- Complete a self-assessment SA302 form to prove your income

How long you have been trading is important, so you'll have a better chance if you can wait until your business has existed for a couple of years before you apply.

APPROVED
Mortgage
Application Form

Pensions - More Support for the Self-Employed?

The government and the industry at large have long been looking at ways to encourage self-employed people – who do not have the luxury of a workplace pension – to save for retirement.

According to the latest figures from ONS, just 37% of self- employed people aged between 40 and 60 have a pension, compared to 79% of employees.

At the end of 2018 the government announced a series of pilots and trials to raise awareness of pensions amongst the self-employed community.

Mr Long says: "If you are self-employed or have your own business you can expect to be prodded, cajoled and coerced into pensions in 2019, as the government tests a programme of nudges designed to boost the number of self-employed who are saving for retirement.

He adds: "Of course, you don't need to wait for this, tax relief on contributions make pensions one of the best ways to save for the long term and with pensions available from as little as £20 per month and with the ability to stop and start contributions whenever you want, flexibility shouldn't be too much of a problem."

Employer Premiums:

Tax exemption for employer premiums paid into life assurance and overseas pension schemes widened from 6 April 2019. This concerns premiums paid by employers into life assurance products and contributions to qualifying recognised overseas pension schemes (QROPS). These contributions are currently only tax exempted if the beneficiary is the employee or a member of the employee's family or household.

The changes will allow the beneficiary to be any individual or registered charity without the premiums being treated as a taxable benefit in kind.

Capital Gains Tax:

The capital gains tax (CGT) annual exempt amount for individuals increases to £12,000 from £11,700.

The current rates of CGT are 10%, to the extent that any income tax basic rate band is available, and 20% thereafter. Higher rates of 18% and 28% apply for certain gains; mainly chargeable gains on residential properties, with the exception of any element that qualifies for private residence relief.

There are two specific types of disposal which potentially qualify for a 10% rate, both of which have a lifetime limit of £10 million for each individual:

- Entrepreneurs' Relief (ER). This is targeted at working directors and employees of companies who own at least 5% of the ordinary share capital in the company and the owners of unincorporated businesses.
- Investors' Relief. The main beneficiaries of this relief are external investors in unquoted trading companies who have had newly-subscribed shares.

CAPITAL GAINS
TAX

Non-Resident Capital Gains Tax:

Non-UK residents will be pulled into the capital gains tax CGT regime for the first time on 6 April if they dispose of UK land and property.

Currently, non-UK residents are only taxed on disposals of residential property, but from 6 April 2019, all UK land (including commercial property) will come within the scope of UK taxation.

In addition, non-UK residents will also be subject to UK tax on the disposal of assets that derive at least 75% of its value from UK land, so called 'property-rich' companies.

With the new CGT regime, a new compliance system is being introduced, which non-UK residents will have to follow in reporting disposals of UK land and paying the associated tax.

Non-UK residents disposing of UK land (or assets that derive at least 75% of its value from UK land) must file a return within 30 days following the completion of the disposal, and a payment on account must be made at the same time.
The amount of tax to be paid is calculated under the normal rules, including using any allowable losses at the date of disposal.

Deferral of exit charges under CGT come into force from 6 April 2019. Currently exit charges can arise on unrealised gains when a trust ceases to be resident in the UK or when assets cease to be used in a trade carried on through a branch or agency in the UK. From 6 April, in certain circumstances payment of these charges can be deferred. Certain trusts or non-UK resident individuals who satisfy certain tests will be given the option of deferring the payment and paying it over six years in equal instalments.

Inheritance Tax:

Inheritance Tax (IHT) is charged at 40% and may be due from an estate when someone dies, unless the estate is left to a spouse or civil partner. However, there are a number of key planning points and tax reliefs to bear in mind. There is often scope to reduce significantly a taxpayer's IHT liability, provided that appropriate and timely action is taken.

The nil rate band takes the first £325,000 out of IHT, and from 6 April 2017, a new nil rate band, called the 'residence nil rate band' (RNRB), has been introduced, meaning that the family home can be passed more easily to direct descendants on death.

The RNRB is being phased in. For deaths in 2018/19 it is £125,000, rising to £150,000 in 2019/20 and £175,000 in 2020/21. Thereafter it will rise in line with the Consumer Price Index.

The RNRB will only be available to individuals or couples who have a Qualifying Residential Interest (QRI). This means ownership of a residential property that has been the deceased's home at some point.

Note that the property does not have to have been their main residence at the time they pass away. So while a buy-to-let property would not qualify, a property that was once the deceased's home and was later let to tenants would.

Where the deceased owns more than one property, the executors must elect the property they wish to be treated as the QRI. The maximum amount of RNRB relief the estate can claim is limited to the value of the home.

Who counts as a 'Direct Descendant'?

To claim the RNRB, the residence must be 'closely inherited'. That means it must be left either by will, intestacy or survivorship to a 'direct descendant'.

The following beneficiaries would qualify as direct descendants:

- The deceased's children (which could include adopted, fostered or stepchildren) and grandchildren.
- The spouses of those children or grandchildren.
- The widows, widowers or surviving civil partners of those children or grandchildren if not remarried at the date of death of the property owner.

How does the £2m 'taper threshold' work? The RNRB is intended to help 'middle England' and those who aren't especially wealthy. Because of this, it comes with a 'tapering restriction'. The amount of RNRB available is reduced by £1 for every £2 by which the deceased's net estate exceeds the 'taper threshold' of £2m.

Downsizing

The residence nil rate band may also be available when a person downsizes or ceases to own a home on or after 8 July 2015 where assets of an equivalent value, up to the value of the residence nil rate band, are passed on death to direct descendants.

IHT online

HMRC have begun providing an online form to help executors in England and Wales who wish to notify them of the value of an estate. The form can be used instead of the paper IHT205 form. It is available at **goo.gl/rLavQF**

It is for use:

- by personal representatives of the deceased
- applying for a grant of representation, such as probate
- in England and Wales
- in circumstances where no IHT is likely to be payable.

Gifts

Annual gifts of up to £3,000 per donor are exempt. You can give as many gifts of up to £250 to as many people as you want. Although not to anyone who has already received a gift of your whole £3,000 annual exemption. None of these gifts are subject to Inheritance Tax.

For Wedding gifts to be effective for inheritance tax purposes, it has to be made before, not after, the wedding and the wedding has to happen, and it has to be:

Given to a child and is worth £5,000 or less>
Given to a grandchild or great-grandchild and is worth £2,500 or less.
Given to another relative or friend and is worth £1,000 or less.

Gifts between husband and wife are generally exempt, if both are UK domiciled. It may be desirable to use the spouse exemption to transfer assets to ensure that both spouses can make full use of lifetime exemptions, the nil rate band and PETs.

Charitable Gifts:

A reduced rate of IHT applies where 10% or more of a deceased's net estate (after deducting IHT exemptions, reliefs and the nil rate band) is left to charity. In those cases the 40% rate will be reduced to 36%.

Lifetime gifts fall into one of three categories:

- a transfer to a company or a trust is immediately chargeable
- exempt gifts which will be ignored both when they are made and also on the subsequent death of the donor, eg gifts to charity
- any other transfers will be potentially exempt transfers (PETs) and IHT is only due if the donor dies within seven years of making the gift. It might therefore be more advisable to regard them as potentially chargeable transfers.

INHERITANCE
123RF

Probate Fees:

Probate fees are set to increase to £6,000 for the largest estates under government plans to overhaul the death tax from April 2019, a measure delayed from 2017 due to the snap general election in June 2017.

The new fee regime is based on a banded structure depending on the value of the estate and no longer applies a flat fee.

The probate fee threshold will be raised from £5,000 to £50,000. This will exempt approximately 25,000 additional estates per year from paying fees altogether while more than half of estates will pay no probate under the higher threshold.

Proposed Probate Fees - Ministry of Justice:

Value of Estate (before inheritance tax)	**Proposed Fee**
Up to £50,000 or exempt from requiring a grant of Probate	£ 0
£50,000 - £300,000	£ 0
£300,000 - £500,000	£ 750
£500,000 - £1m	£ 2,500
£1.6m - £2m	£ 5,000
Above £2m	£ 6,000

PROBATE
Last Will and Testament

When was the last time you reviewed your Will?

Do you have any idea if your estate will have an inheritance tax liability when you die? How much will it be? Who will have to pay it?

Planning opportunities arise if:

- If you have assets that you would like to give away.
- If you have any interests in a business or company, or own agricultural property.
- If you have assets that you would like to gift, but are concerned that other parties may seek to control those assets against your wishes.

These and many other scenarios, particular to your circumstances, may be available. The key is to explore these planning strategies before the burden of responsibility for settling tax is passed to your executors, and ultimately, your family and beneficiaries.

Insurance Premium Tax:

Since June 2017 the standard rate of IPT applying to most general insurance is 12%, and this remains the same for the 2019/20 tax year. Life and other long-term insurance is exempt.

IPT%
INSURANCE PREMIUM TAX

Lasting Powers of Attorney - What Are They and Do I Need One?

A Lasting Power of Attorney (LPA) is a legal document which enables you to decide who you trust to make decisions about your finances, property or healthcare, in the event you are no longer able to do so, and appoint them as your Attorney.

Age-related issues such as dementia are often the reason that people are no longer able to make such decisions. However, an event such as an accident or illness could also have this impact.

Without an LPA (or a valid Enduring Power of Attorney executed prior to October 2017), those closest to you could be faced with an application to the Court of Protection to give them authority to act on your behalf with regards to and health and welfare, as a court appointed Deputy.

The application process for being appointed as Deputy can be lengthy and the costs are a lot higher.

But more important than cost, the choice of who to appoint to act in your best interests rests with the Court based on the evidence provided to it, not with you.

A brief summary of the two types of LPA's available:-

Property and Financial Affairs:
Use this LPA to give an attorney the power to make decisions about money and property for you, for example:

- managing a bank or building society account
- paying bills
- collecting benefits or a pension
- selling your home

Health and Welfare:
Use this LPA to give an attorney the power to make decisions about things like:

- your daily routine, for example washing, dressing, eating
- medical care
- moving into a care home
- life-sustaining treatment

You would need to seek legal advice if you feel this may be of interest to you.

Non-UK domiciles:

Non domiciled individuals resident in the UK still have many tax benefits. They are afforded this status to encourage individuals to come to the UK and also to encourage inward investment to the UK. Non-doms will typically be a foreign national living in the UK. It is important to retain links with the country to which you are domiciled. We can advise you on the steps you need to take as well as reviewing your domicile position.

Non Domiciled Tax:

Non-domiciled individuals can be taxed on an arising basis on worldwide income and gains or the remittance basis. The benefit of the remittance basis is that although your UK source income and capital gains are taxed on an arising basis, foreign income and capital gains are only taxed to the extent they are remitted to the UK.

The benefits of the remittance basis of taxation diminish the longer that you are resident in the UK. After 7 years in the UK, there is a remittance basis charge to continue benefiting from this favourable tax treatment

You don't pay UK tax on your foreign income or gains if:

- It's less than £2,000 in the tax year; **and**
- You don't bring it into the UK

Non Domiciled Income Greater Than £2,000:

You must report foreign income or gains of £2,000 or more, or any unremitted income and capital gains which you bring into the UK in a Self-Assessment Tax Return. This can be confusing and time consuming and you may end up paying more tax than you need to. Our expert non-domicile tax team can help you to complete your tax return and plan your tax affairs to ensure you don't pay any more tax than you need to.

Non Domiciled Inheritance Tax:

Non-domiciled individuals only pay inheritance tax on UK assets until such point as they become deemed domiciled in the UK after spending 15 consecutive years in the UK. However, it is not paid on excluded property assets. Our experts can help you understand how to exclude property assets and mitigate inheritance tax.

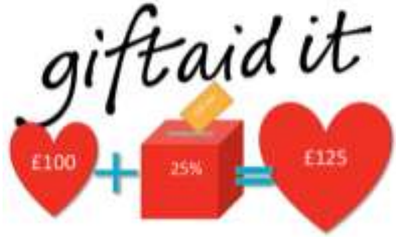
Taxation of Offshore Trusts:

Many non domiciled individuals were advised to create an offshore trust before becoming UK deemed domiciled. They have proved an effective shelter for a non-domicile. There are a number of changes happening to the taxation of offshore trusts. If you have one you should speak to our experts immediately to understand how it might affect you.

On 5th December 2016, HMRC published draft legislation regarding changes to the taxation of non domiciled individuals.

Gift Aid - Small Donations Scheme:

The Gift Aid Small Donations Scheme (GASDS) applies to small charitable donations where it is impractical to obtain a Gift Aid declaration. GASDS currently applies to donations of £20 or less made by individuals in cash or contactless payment. The limit increases to £30 from 6 April 2019.



Potential Child Benefit Trap:

Parents earning in excess of £50,000 are being urged to check their eligibility for child benefit over concerns that some may face large backdated tax bills and penalty charges, through failure to realise the implication of changes in circumstance.

DSR Tax Claims, a firm of tax rebate specialists, maintains some individuals have not been notified by HMRC that they are liable for the high income child benefit charge (HICBC), which requires them to pay a tax charge via the Self Assessment system.

Introduced by HMRC in January 2013, HICBC is applied to parents who earn more than £50,000 per year in adjusted net income (total taxable income less pension contributions and gift-aid donations) and places a tax charge of 1% on child benefit for each £100 above the £50,000 threshold the high-earner makes, meaning that those earning £60,000 or above will receive no child benefit.
David Redfern, managing director of DSR Tax Claims, said: 'There have long been criticisms since the tax charge was introduced, not least that it appears to be levied unfairly, meaning that households with two parents earning £45,000 per year who therefore have a joint income of £90,000 aren't liable for the charge whereas a household with only one high earner of £55,000 is liable.

'But now it has emerged that a number of households have unwittingly found themselves with huge, unexpected tax bills due to one parent's income rising above the threshold since the HICBC was introduced and not realising that they would now be impacted by this tax charge.'

Redfern maintained that the situation was made more complex by the fact that the household's high earner is not necessarily the same person who claims child benefit.

'Reasonable excuse':
HMRC announced on 1 November 2018 that it was reviewing the cases where a failure to notify penalty was issued for three tax years (2013/14, 2014/15, and 2015/16) if the taxpayer had a reasonable excuse for not meeting their HICBC tax obligation. The charge is still due for these years but in some cases the penalty may be refunded.

The review will not include anyone who received communications from HMRC about HICBC or made a new claim for child benefit after the charge was introduced in 2013.

However, Redfern stated: 'Despite HMRC recognising that some families have unknowingly found themselves in conflict with HMRC by not notifying them of a change in their financial circumstances, HMRC's refund will only quash the penalty.

'The high earner will still be liable to pay any unpaid tax, which could potentially run to thousands of pounds.'

Redfern questioned how the situation had occurred, stating that: 'HMRC not only have information on each taxpayer's income but they are also aware of households claiming child benefit, so it is perhaps surprising that parents have found to their detriment that there has been no effective tying-together of information streams, considering that some of these penalties go back to the 2013/14 tax year.

'However it is important that high earning parents check their child benefit eligibility as soon as possible.'

An HMRC spokesperson said: 'When HICBC was launched in 2013, HMRC ran a high profile advertising and media campaign, wrote to approximately 800,000 affected families, and included prominent message about the charge in two million letters to PAYE-only higher rate taxpayers. HMRC has also put an online calculator on gov.uk to enable people to work out if they are affected.

'Additionally HMRC has enhanced its communication of the importance of non-monetary benefits of claiming child benefit and raising awareness of HICBC on social media and reaching out to employers asking them to encourage their staff to check if they are liable for HICBC by using employer bulletin publications.

'HMRC has written to people who may have failed to tell the department that they are liable to the HICBC, asking them to check if they are liable and, if so, file Self Assessment Returns.

'Those who are contacted and then ignore the rules face a penalty unless they have a reasonable excuse and something stopped them meeting their tax obligation. We want our customers to get the benefits they're entitled to - we don't want to charge penalties.'

HMRC said HICBC is not charged on a household basis as looking at total household income would mean finding out the incomes of everyone in each of the eight million households receiving child benefit, effectively introducing a new means test.

child benefit

Tax-Free Childcare: New Government Scheme:

It has been reported that just 91,000 families made use of the new Tax-Free Childcare system in December, according to new government data,

That is far below the expected number. Official figures, analysed by the BBC, show the government had planned and budgeted for 415,000 families to be using the system by October 2017. By December 2018, just 22% of that number had signed up.

The government urged families to see if they qualified. The shortfall is partly because the full rollout was pushed back following technical glitches with its website, but almost a year after the full rollout, take-up is still far lower than anticipated. And while the government had initially expected 324,000 more families to sign up, far more are potentially missing out. In total, an estimated 1.3 million could qualify for the help, meaning only about one in 14 eligible families has done so.

That's costing people money - the Office for Budget Responsibility had forecast spending £800m on Tax-Free Childcare in 2017-18, but that was revised down to £37m specifically because of low take-up.

In 2018, the Family and Childcare Trust's annual survey showed that the cost of a part-time nursery place for a child under two was £122 per week, a rise of 7% in a year. Families who use Tax-Free Childcare receive £2 from the state for every £8 they pay in, up to a value of £2,000 per child per year.

The new scheme replaces Childcare Vouchers, which is now closed to new applicants. The government says Tax-Free Childcare is better than the old system as it is open to both employed and self-employed people, meaning about a million more families qualify for help. It is also paid per child rather than per parent, allowing lone-parent households to get the same amount of support.

However, the scheme has suffered from technical glitches - including last year when 22,000 payments were not passed onto childcare providers - and the help available has been criticised for adding to parent confusion.

Julia Waltham, head of policy at the campaign organisation Working Families, says more should be done to help parents identify the best way to get help with their childcare costs.

"The reason for the low take-up of Tax-Free Childcare could be because parents have chosen to stick with employer-supported childcare vouchers; and we know from our own research that working parents are increasingly reliant on informal childcare support from family, often grandparents," she said.

"But the fact remains that there are seven types of childcare support - each with different eligibility criteria and different ways of interacting with each other - available to parents and carers.

"This tangled web of support can be complicated, and difficult for parents and carers to navigate.

'Essentially free money':

Sarah Coles, personal finance analyst at Hargreaves Lansdown, says not enough is being done to inform parents of their options: "When the market is getting behind something, they put money into communications and things happen.

"Tax-Free Childcare, however, is in the hands of the government, and so far there's every sign they're not throwing themselves behind efforts to let parents know about the free money on offer."

A government spokesperson said: "Tax-Free Childcare is a great offer for working parents and more and more families are benefitting from it. We're urging all parents to check the Childcare Choices website to see how much they could save, and to apply."

They added that the number of parents benefitting from Tax-Free Childcare had almost doubled since March last year and they were running a national campaign to raise awareness.

Limited Liability Partnerships:

These are often referred to in their abbreviated form as LLP's. LLP's were introduced in 2000 by the Partnerships Act 2000 to provide partnerships with the limited liability previously only available to companies. The LLP formation is popular when a 'professional partnership' would like the benefit of protected liability. This is particularly suited to accountants, solicitors, architects, consultants, surveyors and other fields of expertise where a partnership is preferred to a limited company. LLP's may be suitable when the partners are members of an institute, or individual earnings are clearly defined and not simply added to one pot and distributed by dividend.
Within an LLP the earnings of the members is normally seen as personal income, however, HMRC are still viewing a partner in a limited liability partnership (LLP) as not automatically being regarded as self-employed.

Depending on the nature of the partner's work, he or she may be regarded as an employee, which means that their earnings must be paid through the payroll with PAYE and national insurance deducted.

Benefits of an LLP:

There are numerous benefits to be had from trading through an LLP:

- Limited liability protects the member's personal assets from the liabilities of the business. LLP's are a separate legal entity to the members.
- Flexibility. The operation of the partnership and distribution of profits is determined by written agreement between the members. This may allow for greater flexibility in the management of the business.
- The LLP is deemed to be a legal person. It can buy, rent, lease, own property, employ staff, enter into contracts, and be held accountable if necessary.
- Corporate ownership. LLP's can appoint two companies as members of the LLP. In a LTD company at least one director must be a real person.
- Designate and non-designate members. You can operate the LLP with different levels of membership.
- Protecting the partnership name. By registering the LLP at Companies House you prevent another partnership or company from registering the same name.

This is not an exhaustive list but covers some of the key benefits on an LLP.

Disadvantages of an LLP:

As with all formats of business there will be disadvantages as well as advantages. The following may be considered disadvantageous in some cases:

- Public disclosure is the main disadvantage of an LLP. Financial accounts have to be submitted to Companies House for the public record. The accounts may declare income of the members which they may not wish to be made public.
- Income is personal income and is taxed accordingly. There may be tax advantages in registering as a company, but this will depend on your personal circumstances.
- Profit cannot be retained in the same way as a company limited by shares. This means all earned profit is effectively distributed with no flexibility to hold over profit to a future tax year.
- An LLP must have at least two members. If one member chooses to leave the partnership the LLP may have to be dissolved.
- Residential addresses were historically recorded at Companies House. Whilst the use of 'service addresses' now allows for home addresses to be kept out of public view, any address previously supplied to Companies House is still part of the public record unless you pay for the records to be suppressed. For many businesses this is not a problem. However, there are some examples where this may not be desired. Consider solicitors and partners of law firms that may not want their home address so freely available if their work involves sensitive cases.

This is not an exhaustive list but covers some of the key issues that some may feel are disadvantageous for an LLP.

LLP Names:

An LLP can be registered with any name its members choose as long as it is available at Companies House. It is typical to see the member's names included within the LLP name but this is not a requirement. For example, an LLP may be registered as SMITH, JONES & DAVIES LLP, or it may use a descriptive name like LEGAL ADVISORS LLP or something freestanding like INDIVIEW SERVICES LLP. (These names are examples and there is no connection to any company registered with Companies House at present or in the future).

At the time of registering the LLP the members must decide if they would like the name recorded at Companies House using "Limited Liability Partnership" in full or the "LLP" abbreviation. The LLP can still use either version post registration.

Corporation Tax Rates:

Corporation tax rates have already been enacted for periods up to 31 March 2021.

The main rate of corporation tax is currently 19%. The rate for future years is:

- 19% for the Financial Years beginning on 1 April 2019
- 17% for the Financial Year beginning on 1 April 2020.

CORPORATION TAX

Profit Fragmentation:

The government has introduced targeted legislation that prevents UK traders and professionals from avoiding tax by arranging for their taxable business profits to arise in territories where significantly lower tax is paid than in the UK. The taxable UK profits will be increased to the actual, commercial level. This comes into force on 1 April 2019, and HMRC says clamping down on profit fragmentation will bring in £120m.

How to Maintain a Healthy Work / Life Balance:

Being able to balance your work life and home life is crucial to being healthy and happy. But with the modern pressures of work, it can become harder to strike the right balance, so here's how you can get back on track.

Keeping a healthy work/life balance is important for everyone who works. It can, however, be very difficult to achieve, especially for those who work for themselves or are really keen to see the business that they work for be successful.

Being hard working is often seen as a good thing, but for many people it can be difficult to get the balance between working hard, earning enough money to support them and their family, staying stress-free and enjoying a personal and family life. Being overworked can not only have an impact on your physical and mental health, but also on your family and others around you.

For good overall health and happiness, it is important to get the balance right and here are a few tips on how to maintain a healthy work/life equilibrium.

1. Get better at time management

Being organized with your time management can be very useful when you're trying to get that balance right. By ensuring that you are using your time effectively – whether you're at home or at work, you can ensure that everything gets done and you can close off your work time when you should be on 'life' time – as well as turn off your personal life when you're at work.

Try to prioritize what you're doing at work and at home so that the most important things get done first; meaning that you don't have work on your mind when you're at home or vice versa. Likewise, try to say 'no' to things which aren't *really* worth doing or that you physically can't fit in.

If you're not particularly good at time management, try setting goals or keeping a diary with details of everything you plan to get done each day and cross them off as you get them done. Not only will this help you to be organized, it can also be a good way to keep yourself motivated.

2. Use local amenities

If you work in a major city, there are almost always amenities close by. Find a workplace close to a gym, supermarket or childcare facilities, which means that you can use your lunch break for a workout or do the weekly shop before or after work and not waste a minute of your work or personal life time.

3. Separate your home and work

With the growth in technology over the past few years, we expect to be able to get hold of people straight away. In fact, it doesn't have to be like that. Make it clear that you'll only respond to work issues when you're working – which means turning off your phone or email when you officially stop working. Likewise, ensure that you only respond to personal issues when you're at work if it's an emergency. It might help to have two phones so that each can be turned off when you're not using it.

As long as you make it clear that this is your policy, people will learn to cope, and you'll be better off for it.

4. Take care of yourself

You'll never do well at work unless you're fit and healthy, and you probably won't enjoy life as much either. Make taking care of yourself a priority – think eating well, exercising, doing things that you enjoy and being with the people you love. If you're happy and healthy in your personal life, you can guarantee this will reflect well on your work life too.

It's important to remember that sleep and rest are vitally important to our wellbeing, so make sure that you give yourself time to do both – a jam packed calendar isn't necessarily the happiest one, so give yourself time to rest, rejuvenate and recharge.

5. Get the help you need

If you find yourself getting stressed or anxious, you're not alone and there is help out there. Getting your work/life balance right isn't easy and neither is managing everything that life throws at us. Stress, anxiety and depression are more common than you think, and your company should be able to help you if you think that you have a problem. If you don't want to speak to your work, your GP should be able to get you access to services which can help you.

Striking the balance between work and life isn't always easy and sometimes means standing up to people, especially at work. Fortunately, however, businesses are beginning to understand the importance of having happy (and therefore more productive) employees and are starting to help their employees create the work/life balance that they need.

Making Tax Digital - Tips and Advice:

The introduction of Making Tax Digital for VAT will transform the way VAT is reported with a requirement to use digital records, but there is some respite as the first filing date is no earlier than 1 July and there is a soft-landing penalty regime in year one.

In a little under three weeks many businesses that file VAT returns will have no choice but to file those returns digitally. This will be through dedicated accounting software rather than the present method, which requires the online filing of returns but which can involve the manual input of return values. The move is part of the government's Making Tax Digital programme, and it is clear from our conversations with businesses show that many are far from ready.

From April this year, the 2.55m VAT registered businesses with a turnover exceeding the £85,000 VAT threshold will be required to file VAT returns through Making Tax Digital compliant software and not via the current HMRC portal.

The move will require businesses or their agents to use Making Tax Digital compliant software, such as QuickBooks, Xero or Sage, or to use 'bridging' software which allows a digital transmission to HMRC.

From April 2020, businesses will not only have to file returns digitally but also ensure that their internal and intra-VAT group systems and spreadsheets are digitally linked. There may well be an additional cost and process review involved in achieving this.

The timing of Making Tax Digital is far from perfect with businesses contending with the implications of Brexit on an yet unknown date.

Brexit has clearly been the focus and as such some businesses may have been burying their heads in the sand, thinking that Making Tax Digital may not happen. Much debate recently as to whether it should be delayed has only fuelled the thought for some that they should further stall their preparations.

To be clear though, although the government has stated that it will keep VAT procedures as close to the current position as possible if we leave the EU on 29 March this year without a deal, it has made no indication that Making Tax Digital will be delayed… deal or no deal!

The only concession HMRC has given is a six-month deferral to some businesses including:

- VAT groups;
- VAT divisions;
- trusts;
- unincorporated charities;
- public sector entities required to provide additional information on their VAT return (government departments, NHS Trusts);
- local authorities;
- public corporations;
- traders based overseas;
- those required to make payments on account; and
- annual accounting scheme users.

HMRC has undertaken a detailed exercise to identify these businesses and is in the process of writing to those affected.

While HMRC has reaffirmed that Making Tax Digital for VAT is being prioritised and is continuing as planned, it has also stated that due to resource issues around delivering on EU exit responsibilities it will be slowing down the implementation of further Making Tax Digital requirements, relating to income tax and corporation tax.

Pilots: HMRC began a pilot for Making Tax Digital for VAT last October, initially for businesses that have more straightforward VAT requirements.

This started with sole traders and companies and has now opened up more recently to partnerships, VAT Flat Rate Scheme users, VAT groups and divisions and businesses that trade with the EU.

There are, however, a small number of businesses that are still excluded from the trial, such as trusts and local authorities. But the pilot is open to any businesses which want to participate.

Awareness and Communications: It is clear that the government’s promotion and communication to support this programme is not working as well as we would have hoped. Too many businesses are just not prepared for this change.

To illustrate this, research of 530 businesses conducted by Kreston Reeves in the second half of 2018 suggested that just 65% fully understand and are prepared for the change, with just over half (53%) surveyed using Making Tax Digital compliant software. A worrying 29% of businesses did not think their finance teams were ready for the deadline, and 19% did not recall having heard of Making Tax Digital at all, clearly leaving themselves at risk of penalties.

The good news is that most accountancy firms are up to speed with the VAT programme and are already using fully compliant software.

Making Tax Digital

Making Tax Digital for VAT Overseas:

The OECD is setting the agenda on Making Tax Digital and is part of a push for greater transparency in the tax system through improvements in the efficiency of tax collection and detecting tax evasion. It published guidance on SAF-T (Standard Audit File for Tax) which is principally an international standard for the digital exchange of accounting data from businesses to tax authorities, typically in XML format. This has set the parameters for Making Tax Digital.

Digitalisation of tax authorities is already fully operational in Spain, Portugal, Hungry and Poland, with many other countries set to follow suit.

Spain has seen particular success with this transition since its introduction in 2017 with near live reporting. Businesses have four days to electronically submit data from invoices to tax authorities through automated extraction from the accounting system.

Poland has also introduced mandatory SAF-T filing together with Making Tax Digital for VAT which, after the initial introduction for larger businesses in 2016, was extended to cover all VAT registered businesses from January 2018. This means that they file:

- general ledger information and journals;
- accounts payable;
- accounts receivable;
- inventories; and

- fixed assets.

Using big data analytics, they have raised enquiries on over 85,000 transactions across 36,000 entities raising £30m of tax. It has worked so well in Poland that VAT returns will soon cease to exist.

This certainly gives an idea of where the UK is heading. Making Tax Digital for VAT is the starting point and other taxes will surely follow suit.

The message for businesses now has to be that Making Tax Digital, whether for VAT or other taxes, is not going away. Unless they are certain that all their internal systems and spreadsheets are already fully Making Tax Digital compliant, they should get help now in reviewing their systems. Even with HMRC's recent announcement that digital reporting as such will not be mandatory for year one and with the proviso that cut and paste will be acceptable, this is only a short-term solution. There is not long to go even if you are working to the first filing date of 1 July.

MTD - No further Mandation before 2021:

Although not referred to in Chancellor Phillip Hammond's Spring Statement, in a written response he referenced an earlier promise not to extend the mandation of MTD to any new taxes or businesses until the MTDfV system has been shown to work well, and not before 2021 at the earliest.

Given the immediate focus will be on supporting businesses to transition to the new service, this can only be described as a common-sense move, and one to provide some certainty.

MAKING
TAX
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HMRC Call Centre Connection Times Deteriorate:

One in five taxpayers are not satisfied with HMRC's digital services despite the tax authority's push to move all services online, while wait times to speak to an adviser worsened in February with nearly a third of callers waiting more than 10 minutes to speak to an adviser

At the same time, call centre response times have worsened this month, with the average speed of answering a call worsening from five minutes 14 seconds to six minutes, 27 seconds, well above HMRC's target five-minute waiting time. This is nowhere near the performance in 2015-16 when average answer times were 12 minutes but HMRC did work to improve this with substantial investment in technology, automated call services and more call centre staff to improve response times.

However, although taxpayers are getting through to the service, they face longer waits to actually speak to an adviser as response times only illustrate time waiting to reach the automated service. Nearly a third of callers – 29% - have to wait more than 10 minutes to speak to an HMRC official, which is nearly double the number waiting this long in 2017-18. The call wait worsened significantly in February, up from 19.8% to 29% of taxpayers waiting more than 10 minutes, compared with HMRC's target connection time of five minutes.

Pressures of Brexit queries and Making Tax Digital implementation dates have contributed to the deterioration in service as the tax authority has been reassigning staff to Brexit transition and no deal planning and preparation.
An HMRC spokesperson told *Accountancy Daily*: 'Over the past 12 months, the average wait times for our helplines have been around our target of five minutes. We know that at busy times some customers have to wait longer, and we are doing all we can to keep all waiting times as low as possible.

Despite the push to online services, HMRC is still having to deal with large volumes of post and is falling well behind its target of dealing with 80% of post within 15 days of receipt. It received more than one million items of post in February for which customers require a response.

HMRC dealt with 64.8% of customer post within 15 days, leaving over 300,000 letters unanswered.

Despite the level of dissatisfaction with digital services, there has been good take-up of personal tax accounts, HMRC reported.

While company registration for Making Tax Digital for VAT has been slow with the majority of companies required to report VAT digitally still not registered, there has been strong interest in HMRC's digital tax accounts with nearly half of taxpayers now signed up for the service.

The number of individuals signing up for personal tax accounts has hit 18.8m, up nearly 25% on the same time last year when total number stood at 14.7m, out of 30.3m UK wide taxpayers. Digital tax accounts were first launched in 2015 and are optional for taxpayers; each account amalgamates records for taxpayers including tax and NICs from different employment sources and income streams.

'The numbers of customers using our digital services continues to increase, and we carry on improving these services in line with customer feedback,' HMRC added.

CUSTOMER SERVICE
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VAT Threshold:

The VAT registration threshold remains at £85,000 for 2019/20.

New VAT Rules For Building Firms:

In just under six months, builders, contractors and other trades associated with the building industry will have to get to grips with a new way of accounting for VAT.

Essentially, building firms will be required to charge themselves VAT when they buy building related services from other firms. This is referred to as a 'reverse charge'.

EXAMPLE: Subcontractor A undertakes groundwork services for contractor B. Currently firm A charges VAT at the appropriate rate on the invoice it issues to firm B, B pays the VAT to A and A pays it to HMRC.

From 1 October 2019 under the reverse charge rules, subcontractor A issues an invoice to contractor B stating that its services are subject to a reverse charge, so A does not charge VAT. Firm B adds VAT to the cost of the work undertaken by A and includes this as output tax within its own VAT records. B claims the same amount of VAT on the same return as input tax, meaning there is no net payment due to HMRC.

This new reverse charge will not apply if contractor B is the 'end user' who will sell the newly completed building to the final customer. It also does not apply for transactions between connected companies (e.g. within a group of commonly owned businesses) or where the supplier and customer are landlord and tenant. If the services concerned would be zero-rated for VAT purposes, the reverse charge is not relevant.

To prepare for the reverse charge you should check whether your regular customers are VAT registered and record their VAT numbers. Also enquire whether your customer would be an end user in the supply chain.

Use of Home Allowances:

Not only is there no place like home, but you can also save some tax by working there. So whether you work entirely from home, or just do your invoicing from the kitchen table, you can claim an element for use home as an office in your business expenses.

Self Employed (sole traders and partnerships)
You get a much better deal than limited companies when it comes to use of home expenses. You can claim a lot more, particularly if you are using the proportion of home method. You can also include the costs of setting up your home office e.g. office furniture etc, under equipment or fixed assets.

Simplified expenses method
This is a nice, easy and straightforward option but you might not save as much as you do using the proportion of home method below. If you work from home an average of 25 hours per month or more, you can use HMRC simplified expenses which gives a simple monthly flat rate. There are three levels depending on how many hours you are working from home. The current maximum rate is £26 per month if you work 101 hours per month or more, which would give £216 per year for your use of home expense.

Proportion of home method
This is a more complicated method because it involves looking back through your yearly bills. However if you mainly work from home and have a reasonable home office space, this can very be worthwhile doing and you only need to work it out once a year.

- Work out the total for the home office costs. You can do this on a monthly or yearly basis. Costs can include: Heating, Electricity, Council Tax, Rent / Mortgage interest (just the interest part of your payments, not the capital), Home insurance, Water.
- Work out what proportion of your home is used as an office. A simple way is to count the number of rooms (not including kitchen, toilets and bathrooms) and then work out the office space as a percentage of this. Example – there are three bedrooms and a lounge; the whole of one bedroom is used as the office, so this is 25% of the rooms. You can also do it based on floor area. Multiply your total office costs from step one by your area percentage. If you are using your garage for work you can also include this in the calculation.
- Work out the proportion of time you spend working from home. Example – if you work at home full-time for five days per week then you can have 5

divided by 7 (equals 71%) as the percentage of the costs. If you work there for just half a day a week then you can have 0.5 divided by 7 (equals 7%) as the percentage of the costs. Multiply your answer from step two by your time percentage to give your final use of home expenses figure.

Don't get too tied up with working out the percentages for area or time spent. They have to be a fair and reasonable reflection of your circumstances but HMRC is not going to come round with a ruler and a stopwatch. Just do your best estimate.

If you are not sure which of these methods to use, HMRC has a comparison tool to help you decide.

Limited Companies

Limited companies are more restricted in what can be claimed for use of home. This is because you, as a director, are considered to be an employee of the company. The only things that an employee can claim from the company are any additional costs that they have incurred. You can not include anything that you would have had to pay anyway because this is considered to be a benefit in kind and would be included on your personal tax return.

Flat rate method

There is a flat rate for limited company employees as well as for sole traders, however it is a bit stingier as there is only one rate no matter how many hours you work at home. The current rate is £4 per week or £18 per month for employees working regularly from home to cover the additional costs of heating and lighting the work area.

Proportion of home method

This is similar to the method above for sole traders but you are restricted on what costs you can include. It is only the additional costs incurred that can be counted. Rent, mortgage interest, water rates and council tax can **not** be included as you would have to pay these anyway. You can only include heat and light in step one, then steps two and three are the same.

What else can I claim?

Use of home flat rates do not include the business proportion of broadband or home phone. You can work these out and add them to your expenses in addition to your use of home. If you are using the proportion of expenses method you can add these in with your office costs total. However, I think it is worth doing these separately as they are not directly related to the amount of space that you use, so the percentage of business use might be different particularly for broadband.

Home contents insurance could also be included if you need to increase your insurance payments to cover it your business use, but you can only have the amount that it increases by, not the total.

Is this money owed to me, can I take it out of the business?

It is owed to you because you are personally paying for some business expenses. The main purpose of the figure is to go into the accounts, to reduce the profit and therefore reduce the tax that you will need to pay. You can reimburse yourself with the money directly out of the bank account if you choose. However, the more common choice is to balance the amount off against other money you have taken out of the company through drawings (sole traders) or the directors account (limited companies).

Summary

It is always worth putting something in for use of home if you are making any use of your house at all, even if it is just for admin and invoicing.

If you want to keep it simple or you don't spend much time there then use the flat rate.

If you work there for most of the time then the proportion of home method can be worth the extra time to work out particularly for self employed.

Don't forget the business percentage of broadband, home phone and contents insurance in addition.

10 Tips for Working From Home:

1. Take your work seriously. If you don't, no one else will. People often think if you work from home that it's not a proper job. Don't say 'I work at home' instead say 'I work from home' or 'I have a home office'. Speak of and refer to it in business and professional terms.
2. Keep social media for personal time. I make a point of never using Facebook, Twitter, Pinterest etc., on my office computer as hours just disappear. I restrict use to my iPad and only go on these sites when I'm not in the office. Usually it's while I'm eating breakfast or lunch or watching TV in the evening. TV is also something you should never switch on during your working day – there's nothing good on daytime TV anyway.
3. Routine. Some people need routine and I myself am a creature of habit but surely a major advantage of working from home is that you are not tied to routines such as the 9-5. For instance I would much rather go to the supermarket on say a Tuesday morning when it's really quiet than have to leave it till the weekend when its busy and takes twice as long. I would also rather be in the garden on the rare occasions that the sun shines then work twice as hard when it's raining.
4. Dedicated workspace. You need boundaries between work and life. Having a dedicated office or at least a desk in the corner is a must. Working on the kitchen table whilst the family are eating, talking, making coffee, dogs running around, papers getting moved etc. just won't work.
5. Make your free time count. You can't stay focused for hours on end and if you work in a home office it's easy to lose track of time. You need to get out of your chair and take regular short breaks. You can use these breaks to put the washing on, unload the dishwasher, walk the dog….
6. Wake up and put your face on. You can't lay in bed every day, no problem if you have a family to get out the door each morning. Many people say you should get dressed for work, but I don't believe this should mean wearing a suit. My take on this just means that you shouldn't slob about in your PJs all day.
7. Have a schedule but learn to be flexible. I have always been big on writing lists, I find if I have things to do buzzing around my head I can feel overwhelmed as it seems like more than it actually is. Writing these things down helps to clarify and organise. You can plan your tasks for the day but then life can interrupt your progress, don't beat yourself up over not ticking everything off your list just try to make progress at a different time. If you can't get motivated start by tackling the easiest jobs on your to do list.

8. Get your telephone answering right during office hours. Be professional and don't let the kids answer the phone. Have an answer phone for when you're not around.

9. Avoid Cabin Fever. Having a dog and living next to a park is a great help as it makes you go out every day rain or shine. Many home workers go out to coffee shops to work just to have some human contact, although this is not something we have ever felt the need to do.

10. Closing Time. Try not to work too late in the evening especially if you have a family and make sure clients/customers respect your personal time. An advantage of working from home is that you are more available to your clients/customers but phone calls while you are having your Sunday roast is never going to be acceptable.

Construction Industry Scheme (CIS):

Subcontractor Verifications:
Since April 2017, CIS verifications are mandatory, and contractors have had to use an approved method of electronic communication to verify their subcontractors. As well as on-line verification since April 2017 HMRC will no longer accept any telephone calls to verify subcontractors and from then you must verify subcontractors using the free HMRC CIS online service, or commercial CIS software.

Travel Expenses for Workers Paid Under CIS:
If a worker is paid within PAYE as an employee it is right and proper that his employer pays the costs of his getting to jobs in the course of his working day, or if he is sent to work away from home, the costs of travelling around the country. If a worker is self-employed he is in business on his own account. He should be

pricing for work and the price should include the costs of everything involved in that job. If the employer pays travel on top of an hourly rate or daily rate the whole thing begins to look like false self-employment (The employer is demonstrating that he thinks he is responsible for travel costs). So expect enquiries, and trouble, if you pay CIS worker travel costs, and remember that you **must** apply CIS deductions to everything you pay to CIS workers. You cannot pay the travel costs gross on the basis that it is a simple refund of cost expended. You are claiming that these workers are self-employed, so their travel costs are their own business, and all their receipts should be taxed as one sum.

Should you feel that you may be involved within the scope of the Construction Industry and that the CIS Scheme may affect you, please contact us straightaway, as severe penalties can be levied for non-compliance.

Changes to Corporate Tax Loss Relief Update:

A company can claim relief for a loss, for example, from trading, the sale or disposal of a capital asset, and on property letting, provided that company would normally be liable to pay corporation tax.

Relief is obtained by offsetting the loss against other gains or profits in the same accounting period, or a claim can be made to carry the loss back. Any remaining loss will be carried forward to future accounting periods.
There have been a number of changes to loss relief, most recently in the Autumn Budget.

Corporate Capital Loss Restriction:
Companies are charged corporation tax on their chargeable gains, not capital gains tax and there are some differences between the rules for calculating chargeable gains and allowable losses for companies, compared with individuals and trustees, etc..

And losses made when a company sells or disposes of a capital asset, are treated differently from trading losses.

Capital losses arising to a company in an accounting period are set against any capital gains arising in the same period. When capital gains exceed capital losses in an accounting period, the company will have chargeable gains that are subject to corporation tax. Remaining capital losses can be carried forward and set against capital gains (but not income profits) arising in future years.

Companies within a group for capital gains purposes can elect to transfer gains or losses arising in an accounting period to another company within that group.
Major reforms were introduced to corporation tax income losses from 1 April 2017:

- Losses arising from 1 April 2017 can in most cases be carried forward and set against the total profits of a company or another company within the same group; and
- From 1 April 2017, the amount of profit that can be relieved by carried forward losses is limited to 50%, subject to an annual deductions allowance of £5 million per group.

As the April 2017 reforms didn't cover capital losses, the Government has now published a new consultation to remedy this.

The loss relief rules for income already benefit capital gains by allowing certain carried-forward income losses to be set off against capital gains. And the rules for capital losses already ensure a form of group relief for carried-forward losses and allow carried-forward capital losses to be set against any kind of gains.

However, the Government believes that the absence of any restriction on the amount of capital gains that can be relieved by carried-forward capital losses can have undesirable outcomes for the Exchequer, as businesses making substantial capital gains over many years may not pay any corporation tax due to losses incurred from historic disposals.

So, in order to address this, it has been proposed that the amount of capital gains that can be relieved by carried-forward capital losses will be limited to 50% from 1 April 2020.

The Government intends that the reforms to capital losses will apply to capital gains that arise on or after 1 April 2020 such that the restriction will apply to losses carried-forward from the last accounting period ending before that date.

Where a company has an accounting period that straddles 1 April 2020, it is proposed that the accounting period be split into two, one period ended on 31 March 2020, the other commencing 1 April 2020. The restriction will apply only to gains arising in the notional period from 1 April 2020.

As companies are chargeable to corporation tax on the net amount of gains and losses arising in an accounting period less losses carried-forward from earlier periods, the net amount of gains will need to be established for each notional period. Net gains arising in the notional period ended 31 March 2020 can be offset by carried-forward capital losses without restriction; net gains arising in the notional period commencing on 1 April 2020 will be subject to the restriction.

Where there is a surplus of capital losses arising in the notional period ended 31 March 2020, these are set against capital gains of the later notional period in arriving at the net gains in that period before the restriction is applied.

However, as the allowance of £5 million per group that was introduced for carried-forward income loss relief will also cover capital gains that can be offset with carried-forward capital losses, the Government estimates that fewer than 1% of companies will be financially affected by the restriction due to the availability of a £5 million annual allowance.

The consultation considers how best to achieve this reform in legislation and how to deal with the interactions with other areas of the corporate tax system, including the April 2017 reforms to corporate income loss relief.

The closing date for comments was 25 January 2019. Draft legislation will then be published in Summer 2019, allowing a period of technical consultation ahead of its inclusion in the 2020 Finance Bill.

In the meantime, an anti-forestalling measure has been put in place. It applies for disposals on and after 29 October 2018 to prevent:

1. Delaying the realisation of a capital loss so that it will not accrue until a later accounting period;
2. Making arrangements that will enable an existing capital loss to be refreshed after this reform comes into force thus converting a carried-forward capital loss into an in-year capital loss which would not be subject to the loss restriction;
3. Ensuring that any capital gains are recognised before the loss restriction comes into force.

In the first two scenarios, any tax advantage obtained because the loss restriction has been avoided could only be realised after the commencement of the new rules, even though the relevant arrangements could be entered into prior to that date. So, the Government intends to include relevant anti-avoidance rules to negate any tax advantage from arrangements entered into before the introduction of the restriction, but which give rise to such a tax advantage after.

The Government has said it will counter arrangements that seek to exploit the deductions allowance going forward, such as where there is manipulation of a group structure to maximise the amount of the annual allowance due.

In the third scenario described above, a company (possibly within a group) could either make a disposal or set a time of disposal such that a capital gain on an asset will artificially accrue before this loss restriction comes into force. This may involve the use of losses that are already carried-forward or the use of current period losses that would be restricted as being carried-forward under this reform.

The period between the consultation being announced and 1 April 2020 will be subject to an anti-avoidance rule. Any tax advantage claimed can be denied where arrangements are contrived specifically to avoid the effect of a loss-restriction after the changes have been announced, but before they come into force. The Government has however said that it does not intend this to affect capital gains arising under normal commercial practice during this period.

Amendments to Relief for Carried-Forward Income Losses:

In July this year HMRC has said it would introduce amendments in the 2018/2019 Finance Bill to correct defects in its April 2017 reforms (see above) to carry forward loss relief for companies and to ensure that the legislation works as intended.

Amendments include:

1. The deductions allowance that can be used by a company that is a member of a group is restricted so that where that company is a member of one group and an 'ultimate parent' of another, it can only use a share of the allowance from the group of which it is a member.
2. This applies in relation to accounting periods beginning on or after 6 July 2018 (and to amounts falling after 6 July 2018 where an accounting period straddles 6 July 2018) and will prevent groups from acquiring new members to boost the amount of the deductions allowance available.
3. The terminal loss relief rules have been amended to ensure that where the three-year timeframe for which relief is due starts part way through an accounting period, the total relief due for that accounting period is restricted to the proportion of the total profits for the accounting period that falls within that three-year timeframe.

This will apply to accounting periods beginning on or after 1 April 2019.
Various amendments have also been made to tighten up the April 2017 extension to the anti-avoidance provisions around where there is a transfer of a trade under common ownership (sometimes known as a hive down).

It was confirmed in the Autumn Budget that these changes would go ahead.
The draft legislation published on 6 July 2018 has also been amended to include changes to the group relief cap on profits. The amendments limit the amount of profits against which group relief for carried-forward losses may, in certain circumstances, be allowed to the "qualifying profits" (instead of "relevant profits") where these are less than the amount of the deductions allowance. New sections introduce the definition of "qualifying profits" for this purpose. The changes to the group relief cap apply from 1 April 2017.

Where a company has an accounting period that straddles 1 April 2017, the periods falling before and after that date are treated as separate accounting periods for the purposes of applying the restrictions to corporate income loss relief.
HMRC has now published amended guidance looking mainly at how profits, losses and deductions of the straddling accounting period can be apportioned in order to determine how much of these amounts fall before and after 1 April 2017.
Additional rules apply to companies affected by the corporate interest restriction (CIR) and where both sets of provisions require apportionments to be made, HMRC says that it expects consistency. Details can be found in HMRC's corporation tax manuals at CTM04890.

The CIR rules, which have also applied since 1 April 2017, restrict the ability of large businesses to reduce their taxable profits through excessive UK interest expense. Changes are also being made to this legislation, to try to ensure that the rules operate as intended. For general guidance on the corporate interest restriction, see CFM95000.

Tackling Tax Avoidance, Evasion and Other Forms of Non-Compliance:

The government has previously stated its ongoing commitment to keeping the tax administration framework under review to ensure that it 'continues to strike the right balance between robustly challenging tax avoidance, evasion and other forms of deliberate non-compliance, and treating all taxpayers fairly'. Finance Act 2019 subsequently contained provisions introducing statutory reporting requirements by the government on certain anti-avoidance measures (FA 2019, s 92 and 93).

HM Treasury and HMRC have published a joint policy paper setting out the government's approach and achievements in tackling tax avoidance, evasion and other forms of non-compliance. The document is split into three chapters, which:

- outline HMRC's strategy and approach to compliance for different taxpayers
- detail the government's record in addressing areas where risks of non-compliance have been identified; and
- provide a summary of the government's record of investment in HMRC and its commitment to further action.

NON-COMPLIANCE

Company Secretary Role:

Companies House are still suggesting companies review their structure where they have either a single Director and no Company Secretary, or where there are Husbands and Wives as either both Directors or one a Director and one as Company Secretary.

This is because a scenario has been identified where a problem can arise with a Company operated by a sole Director with no Company Secretary. The scenario is that the Director can either pass away suddenly or become incapacitated, in a coma for example, and leave this Company without anyone authorised to operate the Limited Company in relation to Companies House. Therefore the Company in effect could not operate until either a Will had been settled, or a Power of Attorney secured.

It has also been highlighted that this could also occur where the only officials in a Company are Husband and Wife (or Partners). This is because there is a higher chance of you both being together if there was a car accident or an accident on holiday, than there would be if it was two non-related individuals were acting for the Company.

As this has been brought to our attention, we are notifying all affected clients. We do offer a Company Secretary Service, and this is already the case for a large number of our clients. Davis & Co, have no authority to sign or undertake any responsibilities, and take control or run the Company on your behalf, it is purely a measure to ensure that someone authorised is always available to deal with Companies House on behalf of the Company.

COMPANY
SECRETARY

People with Significant Control (PSC) Changes:

The new requirement for registered companies to keep a PSC register came into force from April 2016. From that date a company had to create and maintain a register of any people with significant control or influence over the company.

As a quick reminder, a PSC is a person who:

- holds, directly or indirectly, more than 25% of the shares;
- holds, directly or indirectly, more than 25% of the voting rights;
- holds the right, directly or indirectly, to appoint or remove a majority of directors;
- otherwise has the right to exercise, or actually exercises, significant influence or control over the company;
- has the right to exercise, or actually exercises, significant influence or control over the activities of a trust or firm which is not a legal person, the trustees or members of which would satisfy any of the four conditions above.

With effect from 26 June 2017, Companies House require any changes to a company's PSC register to be notified as they occur. It is no longer permitted to simply wait to update the next confirmation statement.

Failure to follow the requirements is a criminal offence which can lead to a fine or prison sentence of up to two years.

SIGNIFICANT CONTROL

Employers' Insurance:

Most employers are required to have at least £5 million of employers' liability cover, or face a fine of up to £2,500 per day. There are some exceptions to this rule, however, most public organisations and businesses that only employ close family members (as long as they're not incorporated as limited companies) don't necessarily need to have employers' liability insurance.

Do I need employers' liability insurance for subcontractors?

This depends on whether you're hiring 'labour-only' or 'bona-fide' subcontractors. Subcontractors who are 'labour-only' work under your direction and use your tools and materials. They are legally considered employees, and so they need to be covered by your employers' liability policy. On the other hand, subcontractors who are 'bona-fide' work under their own direction and provide their own tools and materials, and they usually don't need to be covered by your employers' liability policy.

Do I need employers' liability insurance if I am self employed?

If you're self-employed and you work on your own, there's no need to have an employers' liability policy (unless a contract requires you to have one). You usually only need it if you employ somebody else. There are other business insurance covers that could be useful for you, for example professional indemnity insurance or public liability insurance.

Do I need employers' liability insurance for contractors?

According to advice provided by the Health and Safety Executive (HSE), you may not need employers' liability insurance if you're hiring an independent contractor who also works for other organisations. This can be a complicated area, so it's best to seek advice if you're not sure.

Do I need employers liability insurance for a limited company?

If you run a limited company and you employ one or more people, or have more than one director, you need employers' liability insurance. Even if you've only got close family members on your staff, the fact that your company is incorporated as a limited company means that you're still required to have a policy.

Do I need employers' liability insurance for part-time workers?

Yes, you do need employers' liability insurance for part-time workers. Unless you fall under one of the exemptions, it's compulsory to have employers' liability insurance if you have any employees, even if they're part-time or temporary.

Do I need employers' liability insurance for volunteers?

If you've already got employers' liability insurance in place, it's likely that anyone who volunteers for you will be covered by this policy, although you should double check with your insurer. If you don't have an existing policy, it's probably a good idea to get one so that you're covered in case one of your volunteers makes a compensation claim against you.

INSURANCE
POLICY

GDPR – One Year On:

On May 25, 2018, the new European privacy regulation came into effect. GDPR stands for the General Data Protection Regulation.

This new data protection law puts the consumer in the driver's seat, and the task of complying with this law falls upon businesses and organisations. In short, the GDPR applies to all businesses and organisations established in the EU, regardless of whether the data processing takes place in the EU or not. Even non-EU established organisations will be subject to GDPR. If your business offers goods and / or services to citizens in the EU, then it's subject to GDPR.

All organisations and companies that work with personal data should appoint a data protection officer or data controller who is in charge of GDPR compliance.

There are tough penalties for those companies and organizations who don't comply with GDPR with fines up to 4% of annual global revenue or 20 million Euros, whichever is greater.

Many people might think that the GDPR is just an IT issue, but that is the furthest from the truth. It has broad-sweeping implications for the whole company, including the way companies handle marketing and sales activities.

The Impact of GDPR on Customer Engagement:

The conditions for obtaining consent are stricter under GDPR as the individual must have the right to withdraw consent at any time and there is a presumption that consent will not be valid unless separate consents are obtained for different processing activities.

This means you have to be able to prove that the individual agreed to a certain action, to receive a newsletter for instance. It is not allowed to assume or add a disclaimer, and providing an opt-out option is not enough.

This changes a lot of things for companies such as the way marketing and sales activities are managed. Companies will have to review business processes, applications and forms to be compliant with double opt-in rules and email marketing best practices. In order to sign up for communications, prospects will have to fill out a form or tick a box and then confirm it was their actions in a further email.

Organisations must prove that consent was given in a case where an individual objects to receiving the communication. This means that any data held, must have an audit trail that is time stamped and reporting information that details what the contact opted into and how.

If you purchase marketing lists, you are still responsible for getting the proper consent information, even if a vendor or outsourced partner was responsible for gathering the data.

In the B2B world, sales people meet potential customers at a trade show, they exchange business cards, and when they come back to the office, they add the contacts to the company's mailing list. In 2018, this will not be possible anymore. Companies will have to look at new ways of collecting customer information.

DATA
PROTECTION

TAKE FIVE
TO STOP FRAUD™

Stop and Think:

1. A genuine bank or organisation will never contact you out of the blue to ask for your PIN, full password or to move money to another account. Only give out your personal or financial details to use a service that you have given your consent to, that you trust and that you are expecting to be contacted by.

2. Clicking on links/files: Don't be tricked into giving a fraudster access to your personal or financial details. Never automatically click on a link in an unexpected email or text.

3. Personal information: Always question uninvited approaches in case it's a scam. Instead, contact the company directly using a known email or phone number.

MY MONEY?
MY INFO?
I DON'T
THINK SO

Digital Services Tax:

A consultation will be launched on the detailed design and implementation of the Digital Services Tax that will take effect from 1 April 2020.

Broadly, from April 2020, the government will introduce a new 2% tax on the revenues of certain digital businesses which derive value from their UK users. The tax will:

- apply to revenues generated from the provision of the following business activities: search engines, social media platforms and online marketplaces;
- apply to revenues from those activities that are linked to the participation of UK users, subject to a £25m per annum allowance;
- only apply to groups that generate global revenues from inscope business activities in excess of £500m per annum; and
- include a safe harbour provision that exempts loss-makers and reduces the effective rate of tax on businesses with very low profit margins.

Aggregates Levy Review:

The government is to publish a discussion paper launching a review of the Aggregates Levy, including the Terms of Reference, information on timing and scope of the review as well as membership of an expert working group.

IR35 Further Reforms:

The Autumn Budget brings change to the 'off-payroll' working (IR35) rules from April 2020. This may affect you if you work on a contract through a personal service company (PSC) in the private sector, or hire or place such workers. Similar rules already apply in the public sector.

The IR35 rules aim to prevent avoidance of tax and National Insurance Contributions (NICs). The rules target those working for a client through an intermediary (usually a PSC), where the use of the intermediary means that the worker avoids being taxed as the client's employee. At present, responsibility for deciding if IR35 rules apply to a private sector contract lies with the intermediary. If IR35 applies, the intermediary has to account for PAYE and NICs on the fees received. From 6 April 2020, responsibility for deciding employment status passes from the intermediary to the party engaging the worker. If IR35 applies, the business, agency or third party paying the intermediary must deduct income tax and employee NICs. It will also become liable for employer NICs.

The change impacts 'medium and large' businesses using an intermediary, but not 'small' businesses. Following the Companies Act 2006 definition of a small company, this will probably exempt businesses meeting any two of these criteria: a turnover of £10.2 million or less; having £5.1 million on the balance sheet or less; having 50 or fewer employees.

HMRC has an online Check Employment Status for Tax (CEST) tool to help decide whether the off-payroll working rules apply to any given contract. It can be used by workers, hirers, or agencies placing a worker. HMRC will stand by the result - unless a compliance check finds that information supplied was inaccurate.

You can use the service anonymously. It will store neither your details, nor its findings. You can however, print the result, and this is essential. If there are changes to the working arrangement, we recommend that you run the new details through the check again.

But problems over employment status do arise in practice, even when the tool is used, and HMRC is committed to improving CEST's usefulness. We are always happy to advise in this area.

Business Rates:

Business rates have been devolved to Scotland, Northern Ireland and Wales. The business rates revaluation in England currently takes place every five years. In the Autumn Budget, the government announced an increase in the frequency of valuations to every three years following the next revaluation. The Chancellor has now announced that the next revaluation will be brought forward by one year to 2021. It will be based on market value rentals at 1 April 2019.

You should soon receive a notice of your new business rates for 2019-20. You may qualify for business rates relief such as relief for small business premises, small pubs, essential services in a rural area, agricultural or religious buildings, and buildings used by charities or by start-ups in enterprise zones. If the business rates relief hasn't been given where it is due, you should contact the local authority which issued the rates bill.

If the rateable value of your property seems to be wrong, then you can appeal to the Valuation Office Agency, which is a branch of HMRC.

OFFICE BUILDING

Companies House Scam E-Mails:

Companies House are also still warning people to be suspicious of any unsolicited emails, even if they look like they're from a trusted source. Companies House will never ask you to disclose personal or payment information by e-mail.

If you have any doubt that an email you receive from Companies House is genuine, please do not follow any links, open any attachments, disclose any personal details or respond to it.

Companies House have also confirmed that it will never contact you via e-mail and have advised anyone who receives an e-mail claiming to be from Companies House to:

- not to click on any links or attachments
- forward it to phishing@companieshouse.gov.uk.

and then

- delete it permanently.

Companies House is unable to investigate paper copies of suspicious e-mails / websites so you will need to forward the suspicious e-mails to the e-mail address shown above.

Don't 'Err' in your Claim:

Entrepreneurs' Relief (ER) has been with us for many years and provides a valuable relief – only a 10% rate of capital gains tax on lifetime gains of up to £10 million. However, as with everything in the world of tax, there are always niceties to be observed in order to ensure that you qualify for ER.

HMRC have been criticised by Parliament for not checking enough ER claims and it appears that HMRC are now examining claims more closely. The main area which HMRC seem to be focusing on is ER claims on share disposals. Briefly, ER will apply to gains on disposals of shares in a trading company (or the holding company of a trading group) provided that the individual making the disposal:
has been an officer or employee of the company, or of a company in the same group of companies, and owns at least 5% of the ordinary share capital of the company and that holding enables the individual to exercise at least 5% of the voting rights in that company.   These two conditions must be satisfied throughout the year leading up to the disposal of the shares.

From 6th April 2019, the minimum period throughout which the qualifying conditions for Entrepreneurs' Relief must be met will be extended from 12-months to 24-months.

If you are unsure as to your current position or are contemplating a disposal in the near future, please do get in touch so that we can check you qualify.

An Update on National Insurance Contributions:

The government has announced that it will not be abolishing Class 2 National Insurance Contributions (NICs) during this Parliament. With this in mind, we provide an overview of the current NICs regime.

NICs are a tax on earned income. Under the regime, income is divided into various classes, including Class 1 contributions, which are payable on earnings from employment, and Class 2 and 4 contributions, which apply to the profits of self-employed individuals.

Who must pay NICs?

Under the NICs regime, employees are required to pay Class 1 NICs on their earnings. Employers must pay a secondary contribution.

In 2019/20, employees need only pay NICs when their earnings exceed the £166 per week 'primary threshold'. The amount payable is 12% of the earnings above this threshold, up to the Upper Earnings Limit (UEL) of £962 per week. An additional 2% charge applies for weekly earnings above the UEL.

Employers are required to pay secondary contributions of 13.8% of earnings above the £166 per week 'secondary threshold'. No upper limit exists for employer contributions.

For employees aged under 21, employer NICs are reduced from 13.8% to 0%: however, the worker must be aged under 21 when the earnings are paid for this rate to apply. Similarly, employer NICs are reduced to 0% for apprentices aged under 25 who earn less than the Upper Secondary Threshold (UST) of £962 per week (2019/20).

NICs and the Self-Employed:

Depending on their profits, self-employed individuals are required to pay Class 2 and Class 4 NICs. However, special rules apply to those in specific jobs (such as invigilators, ministers of religion who do not receive a stipend and people who run land or property businesses).

The self-employed pay a flat rate Class 2 contribution, alongside a variable amount based on the business's taxable profits (Class 4). Class 2 NICs are usually collected as part of the final self assessment payment. Those with profits below the £6,365 Small Profits Threshold are not required to pay Class 2 NICs, but can do so voluntarily.

In 2019/209, Class 4 NICs are payable at 9% on profits between £8,632 and £50,000, with an additional 2% added on profits above this amount.

Abolition of Class 2 NICs:
In September 2018, the government announced that the planned abolition of Class 2 NICs will now not take place during this Parliament. Former Chancellor George Osborne originally announced the tax cut during the 2016 Budget, and stated that abolishing Class 2 NICs would benefit an estimated 3.4 million self-employed workers.

Class 2 NICs were due to be abolished in April 2018, but in November 2017 the plans were put on hold until 6 April 2019.

Announcing its latest decision to scrap the plans entirely, the government cited the potential 'negative impacts' the abolition of Class 2 NICs could have on low-earners. It plans to keep the matter 'under review' in the context of the wider tax system.

Voluntary Contributions:
Some individuals may choose to pay Class 3 NICs at a rate of £15.00 per week (2019/20). These provide individuals with an entitlement to the State Pension, Bereavement Benefit, Maternity Allowance and contributory Employment and Support Allowance for self-employed workers.

National Insurance Rates:

The HMRC have increased the NI thresholds for the 2018/19 tax year as follows:-

Class 1	£166.00 p.w
Class 2	£3.00 p.w.
Class 4	£8,632 p.a.

The chargeable rates are as follows:-

Class 1	12% for Employee 13.8% for Employer
Class 4	£8,932 - £50,000 at 9% £50,000 - Uncapped at 2%

Employment Allowance:

The Employment Allowance is again available for the 2018/19 tax year, and remains at £3,000, which is available to many employers for them to offset against their Class 1 National Insurance liability.

This amount is claimed as part of your normal payroll process on a month to month basis. There are some exceptions to this scheme, for example covering nannies and household staff, and anyone under IR35 for personal service companies. Unless you have employees, who earn of a level so that you pay Employers National Insurance Contributions on top of their salaries, then this allowance will not be of any benefit to you.

We have ensured that this benefit has been claimed by all our payroll clients, however, if you prepare your own payroll and are unsure if you have claimed, please get in touch and we will check for you.

Please be aware though, that HMRC are actively monitoring National Insurance Employment Allowance compliance following reports of some businesses using avoidance schemes to avoid paying the correct amount of NICs. The government will consider taking further action in the event that this avoidance continues.

From April 2020 an employer will only be entitled to claim Employment Allowance if that employer had an Employer NIC bill of less than £100,000 in the previous tax year. Over 99% of micro-businesses and 93% of small businesses will still be eligible for the allowance.

Drawing Profits from a Company:

Salary and Bonuses:

Directors of owner-managed companies often draw profits through low levels of salary, typically between £9,000 and £9,500 per annum. The reason for this is because a salary attracts a National Insurance levy. The National Insurance rate for employees is 12% between £8,632 and £50,000 and 2% above this figure. The Employers' National Insurance rate is 13.8% above £8,6324. This gives a combined National Insurance liability of 25.8%, which is a tax you would want to avoid although the Employers' National Insurance element is deductible for Corporation Tax purposes.

How Will Drawing a Salary Affect My Pension Contributions?

It is normally advisable to draw a minimum salary from the business so that you don't lose any entitlement for social security benefits. You need 35 years of contribution to qualify for the maximum state pension under the new state pension scheme which came into force from 6 April 2016. We normally advise that the minimum basic salary is £8,632 in order to qualify for these pension entitlement requirements.

The problems with drawing a low salary are minimal. However, your level of personal pension contributions will be affected. The personal pension contribution cannot exceed an individual's earnings in any one year. For example, if an individual makes a gross £10,000 pension contribution, you must have earned £10,000 of salary. It is worth noting that dividends, interest, and other investment income do not count as earned income when making a pension contribution.

Implications for Loans and Mortgages:

Individuals have previously found it difficult gaining approval for a personal loan or mortgage due to low salary levels based on the drawings above. However, more lenders are now becoming aware of the situation regarding owner-managed businesses. In general, they are now more prepared to look at the overall financial status of the business when considering whether to approve the loan.

Employment of Family Members:

If your spouse or civil partner, or any other family member, has little or no income, it can be beneficial for your company to employ them for profit extraction purposes. Your appointed family member could receive between £9,000 and £9,500 per annum, incurring little or no tax liability for your company. Furthermore, the business would benefit from a 20% corporation tax saving. As previously mentioned, if the individual earns between £6,136 and £8,500, they would retain their entitlement to social security benefits without adding National Insurance costs. Please be aware though that the salary must be justifiable commercially in order to be deductible to corporation tax.

In general, the most advantageous option is to employ your spouse as a Director or Company Secretary where they can carry out relatively minimal duties to validate this as a basis for remuneration.

Is Drawing Dividends An Option?

The main advantage of drawing dividends is that National Insurance is not payable when a dividend is taken regardless of your personal income tax rate or your company corporation tax rate. We, therefore, recommend that Owner-Managers take a small salary to use up their personal allowance and withdraw the remainder of their income as dividends.

Despite the publicity around the recent tax increases, which have seen an increase of up by 7.5% in each tax band, the dividend savings remain substantial. This is especially the case where you are able to share the dividends amongst family members or your spouse. In this instance, you and your spouse can remain below the higher rate tax threshold.

Are There Any Drawbacks to Taking a Dividend?

Your company must have sufficient profits or qualifying reserves to declare the dividend. This is the case even where the company may have ample cash in the company bank account. Where that is not the case, a salary or bonus can be paid even if it means that the company declares a loss.

Dividends must be paid out in proportion to the shareholdings. This is unlikely to cause a problem where you are the only shareholder. However, it can become more complicated where there are several shareholders or where there is an outside investor. One option, to ensure that this can be carried out effectively and legitimately, is to have separate classes of shares, on which different levels of dividend can be declared.

Where you pay higher or additional rate tax on the dividends, this falls due on 31 January following the end of the tax year, in which the dividends are paid, and provides considerable time to settle your personal tax liability. That delay can definitely help with cash flow, however, it can also catch you out if there are insufficient funds to pay off the tax bill at that time. See the HMRC website for further information on dividends.

Are Benefits In Kind An Option?

It generally doesn't make financial sense to receive fringe benefits from the company, such as a company car or buying a property for personal use. Although there is no employee national insurance due on these benefits, the company must pay National Insurance on them at 13.8%. Therefore, it is generally preferable to take a dividend and pay for the benefit personally.

Working out the most beneficial option is not always a straightforward option. This is because it is sometimes worthwhile taking certain types of benefits as they attract special tax rules such as company cars, a loan for your company or occupying accommodation provided by the business.

Being provided with the benefit may be preferable where it is exempt from tax or has a low tax charge. One example of an exemption is mobile phones which include smartphones.

With a high-value item such as property, you can declare a large dividend to cover the purchase but this is likely to push you well into the higher rate tax band. If the company purchases the property for your use, the tax benefit will be substantially lower. The benefit will, of course, continue to be charged each year, but it may be worthwhile if your income remains below the 45% additional rate of income tax.

Paying Dividends:

Dividend payments continue to be a primary vehicle to extract cash from owner-managed businesses, but unfortunately, it's still an area increasingly under HMRC's spotlight.

Mistakes in procedure can have expensive tax consequences – so how do you get it right? The legal position, reference Company Law (S830 Companies Act 2006) says that a company is only entitled to make distributions out of profits available for the purpose. It defines this as accumulated realised profits minus accumulated realised losses. The Act also requires that a dividend is supported by relevant accounts demonstrating that profits are available for distribution. For a year-end dividend, the statutory accounts are likely to be the relevant accounts, but what is the position for interim dividends? Here directors may be called upon to make what the law calls 'reasonable judgment' of the current financial position of the company, and its ability to meet debts as they fall due. Directors need to take this responsibility very seriously.

Where shareholders receive a dividend, knowing at the time that there were not sufficient reserves available, they can become liable to make repayment: company directors may also become personally liable. To pay a dividend lawfully, follow correct procedure. Good practice would suggest a directors' meeting to consider the accounts and declare the dividend; ensuring that this is minuted; and preparing a dividend voucher contemporaneously. Some individuals and companies have lost at tax tribunals for neglecting points like these.

A tribunal remarked in one case: 'There had not been any directors' meetings at, or resolutions in, which any of these amounts had been declared as dividends.' The tribunal held that the amounts were, in consequence, not dividends but earnings. Thus HMRC were entitled to recover PAYE income tax and National Insurance from the directors personally. HMRC are becoming more vigilant here, particularly where insolvencies are involved. For advice on the payment of dividends, or to discuss remuneration strategies more generally, please do get in touch.

Dividend
Payment

Soft Drinks Levy:

The UK's sugar tax, officially known as the Soft Drinks Industry Levy (SDIL), has driven the reformulation of soft drinks at an unprecedented rate. By the time it was introduced on 6 April 2018 (two years after it was announced in 2016), 50% of soft drink manufacturers had already reduced the amount of sugar in their products. Since that date, manufacturers have been charged 18p per litre for drinks containing 5g of added sugar or more per 100ml and 24p for drinks containing 8g per litre or more, and this revenue is put towards new school sports facilities and healthy breakfast clubs.

Despite the implementation of the SDIL, Irn-Bru maker AG Barr, says revenue will be up by 5% this year as the soft drinks market grew by 3%.

HMRC and The Art of Reactive Tax Codes:

In April 2017, HMRC introduced reactive tax codes which mean that if changes occur in your income, your tax code is likely to be changed more quickly than in the past.

This has been made possible since Real Time Information (RTI) was introduced, which means employers tell HMRC exactly what staff have been paid before every pay run.

This should be a good thing, so if you overpay tax you will get a rebate quicker through your PAYE scheme, or equally, if you owe more tax you can pay it off as you go through your payroll so you get no nasty surprises in the future,

"What can this mean to your pay?"

More frequent changes to tax codes can have an unforeseen impact on your taxes too. A particular example I have seen was after the P11D (summary of expenses and benefits) was submitted for a client who gives their staff a healthcare subscription as a benefit, their tax codes changed by a small amount from 1050L to 1048L to allow them to pay tax on the benefit to the value of the healthcare subscription.

However, the new tax code this year had a pesky M1 at the end of it which could be a W1 if you are weekly paid instead. The W1 or M1 means your tax is not being calculated on the usual cumulative method, but each month is looked at independently.

This isn't so bad if you are paid the same amount every month, but as soon as you receive a one-off bonus, it can make you pay way too much tax. In the case I saw, a generous Christmas bonus to staff ended up with almost 50% going to the tax man rather than the staff members.

The staff members had to each individually call the tax office to query the tax code change, which changed re-actively before the January pay run, and those that paid too much tax got it back in their January payslip. One staff member was told by the HMRC that using the W1 or M1 on changed tax codes was a new policy introduced recently by the HMRC.

"So, what's the moral of this story? Pay attention to your tax code!"

When a change is made, make sure you understand why, and if you see a W1 or M1 on your payslip then call the tax office and see if you can get it removed or you may end up paying too much tax if your pay unexpectedly changes or your employer decides to pay you a bonus.

2018/19 PAYE Year End Dates:

5th April End of current tax year. Full Payment Submission (FPS) with year-end PAYE information must be made under Real Time Information (RTI) in place of form P35, which is no longer required.

6th April New Tax Year Starts.

19th April Final submission must be made to HMRC under RTI for the year. Deadline for postal payments remittance of PAYE, NICs and CIS to HMRC.

22nd April Deadline for electronic payments to be cleared by HMRC for previous tax year

31st May Last date for P60's to be given to all employees.

6th July Deadline for P11d's to be filed with HMRC

19th July Class 1 A payment to reach HMRC (postal). Deadline for postal payments remittance of PAYE, NICs and CIS to HMRC.

22nd July Class 1 A payment to reach HMRC (electronic)

Increases to National Minimum Wage / Living Wage & Penalties:

The biggest ever increase to National Living Wage (NLW) has come into effect, with 1.8m workers receiving an additional £690 over the year from 1 April 2019.

The hourly rates for the NMW & NLW from 1st April 2019 are:

Age	*Rate £*
25 and over	*8.21*
21 to 24	7.70
18 to 20	6.15
16 to 17	4.35
Apprentice	3.90 *

* for apprentices under 19, or 19 or over in the first year of their apprenticeship.

NMW and NLW vary depending on age and whether or not a worker is an apprentice.

Employers will be pleased to know that the Government has however decided not to increase the on compliance penalty. When looking at the statistics, it is not difficult to see why. Of the HMRC identified NMW non-compliant employers in 2017/18, over 80 per cent had a total underpayment of less than £5,000 across their entire workforce going back six years. This suggests that underpayments were probably minor and may have resulted from confusion over how the NMW rules apply rather than a willingness to ignore NMW compliance altogether.

In 2018, HMRC sent out approximately 1.6 million texts to workers paid NMW advising them to check their employer is paying them NMW and giving them details of who to complain to if not.
There are NO exceptions from paying the NMW on the ground of the size of the business.

National
Minimum
WAG£
Increase

National Minimum Wage and Company Directors:

The minimum wage does not apply to company directors unless they also have contracts that make them workers. Company directors are office holders in common law and can do work and be paid for it in that capacity. This is true no matter what sort of work is done or how it is rewarded.

However, company directors who also have an employment or worker's contract with their company will need to be paid the minimum wage for work done under that contract. If a company director is unsure whether they have entered into a contract with their company which makes them a worker for minimum wage purposes, they may wish to take independent legal advice.

Paying Your Children From the Business:

Paying salaries to your children is a good way to reduce your taxable profits but which children can you legally employ?

With some limited exceptions for specific jobs (e.g. acting or modelling), it is generally illegal to employ children under 13. Children under school leaving age may do 'light work' (e.g. office work) provided that it does not interfere with their education or affect their health and safety. Certain types of work (e.g. factory work) are prohibited and any business employing children under school leaving age must obtain a permit from the local authority.

Subject to these points, children still attending school can work up to two hours most days. On Saturdays and weekdays during school holidays this is increased to eight hours (five hours if under 15). Working hours must fall between 7 am and 7 pm and are subject to an overall limit of 12 hours per week during term time or 35 hours during school holidays (25 hours if under 15). The child must also have at least two weeks of uninterrupted holiday each calendar year.

16 and 17 year olds over compulsory school age can generally work up to 40 hours per week and can do most types of work, although some additional health and safety regulations apply. Children aged 18 or more are mostly subject to the same employment rules as anyone else, including the working time directive.

In essence, therefore, you can generally employ any of your children aged 13 or more and pay them a salary which is deductible from your own business income.

Please Note: Your child must do some real work for that money, work which is worth what you pay them. You can't pay over the odds for an office assistant, just because the worker is your relative.

Holiday Entitlement:

- Employees' holiday rights start on the first day of their employment. Employees do not have to wait before they build up holiday rights.
- Employees are entitled to a minimum of 5.6 weeks paid annual leave - equating to 28 days for an employee working five days a week. Part-time employees are entitled to the same level of holiday pro-rata (5.6 times the employee's normal working week e.g. 22.4 days for an employee working a four day week).
- Employees do not have an automatic right to paid leave on bank and public holidays, though many people receive the day off work. Any right to time off or extra pay for working on a bank holiday depends on the terms stated in the employee's contract of employment.

Holiday Pay:

- Holiday pay must be the employee's normal rate of pay. In line with recent court rulings there must be no financial disincentive for an employee taking annual leave.
- All types of overtime, including voluntary, must be included when calculating a worker's statutory holiday pay entitlement, apart from overtime that is only worked on a genuinely occasional and infrequent basis.

- Commission should be factored into statutory holiday pay calculations.
- There are different rules for calculating holiday pay depending on the working patterns involved:
    - *For workers with fixed working hours - If a worker's working hours do not vary, holiday pay would be a week's normal remuneration.*
    - *For workers with no normal working hours - If a worker has no normal working hours then their holiday pay would still be a week's normal remuneration but the week's pay is usually calculated by working out the average pay received over the previous 12 weeks in which they were paid, or any other timeframe that fairly reflects their normal pay.*
    - *For shift workers - If a worker works shifts then a week's holiday pay is usually calculated by working out the average number of hours worked in the previous 12 weeks at their average hourly rate, or any other timeframe that fairly reflects their normal pay.*
- It is not permissible to 'roll up' holiday pay by paying a little bit extra throughout the year. Holiday pay must be paid when the holiday is actually taken.

Scheduling Leave:

- Employers can control when employees take their leave or can rule out holidays during certain times of the year (unless a contract of employment states otherwise).
- Unless the employment contract states otherwise, employees should give their employer notice of their intention to take leave. This should be at least twice as long as the holiday that they want to take. For example, an employee should give at least two weeks' notice for a one-week holiday.
- Employers must answer leave requests at least as far in advance as the length of leave requested. For example, they must answer a request for one week's leave at least one week before the leave is due to start.

Leavers:

- Should an employee leave employment during the holiday year, their employer must settle up on the employee's holiday entitlements. An employee has the right to be paid for any untaken statutory holiday entitlement that they have accrued.

Other Leave Types and Holidays:

- A worker's entitlement to holiday pay will continue to accrue during sick leave (both paid and unpaid). If a worker is unable to take their annual leave in their current leave year because of sickness, they should be allowed to carry that annual leave over. Any leave carried over in this manner should generally be used within an 18 month period after the end of the leave year in which the leave accrued.

- An employee may choose to specify a period where they are sick but still wish to be paid annual leave at their usual annual leave rate.
- If you are on statutory maternity or paternity leave you are still entitled to paid annual leave as well.

Other:

- Details of an employee's annual leave entitlements must be included in their contract of employment, or written statement of terms of employment. Note: This statement is required by law and must be given to employees within two months of starting employment.
- Employers are well advised to have a clear annual leave policy in the handbook and contract of employment in order to clarify the manner in which annual leave may be taking, ultimately avoiding confusion and conflict in this matter. Further information can be found here.

Holiday Pay: A Timely Overview for Contractors:

In the wake of high profile cases like Uber, Deliveroo and Pimlico Plumbers, which saw 'self-employed' individuals being classed as 'workers,' the spotlight on workers' rights, such as holiday pay, is more glaring than ever.

Before we explore eligibility to receiving this potentially important pay right, keep in mind that individuals working in the UK normally fall into three main categories:

- An 'employee' (which includes those paid via an umbrella company), is an individual who has full employment rights and obligations.
- A 'worker,' is an individual who has limited rights, although these include holiday pay.
- A 'self-employed' person, is an individual such as a sole trader, freelancer or independent contractor, in business on their own account.

What has changed surrounding holiday rights?

This time last year Matthew Taylor's 'Good Work' report was published. The report set out recommendations to update employment law in order to reflect modern working world. Some of the key areas of the report were employment status, agency and zero-hour workers, statutory leave and holiday pay.

Fast forward a few months and there was a landmark case -- King v The Sash Window Workshop Ltd. In the case King, a window salesman, was engaged supposedly as a self-employed individual. After The Sash Window Workshop Ltd terminated King's contract, he claimed to be a 'worker' and successfully claimed 13 years' worth of holiday that he wasn't allowed to take.

The judgment, by the Court of Justice of the European Union (CJEU), means that a worker (even if the employer incorrectly believes that they are self-employed), must be allowed to accrue paid annual leave rights until termination of the arrangement between worker and engager. This right can go back to when the European Working Time Directive was introduced in 1996.

There was a further tribunal case in December whereby Wooller, a locum pharmacist, won her case against Paydens, her previous employer. In the case, Wooller challenged her employment status and in winning the case was able to claim unpaid holiday for the three years that she worked there.

What does this mean for sole traders, freelancers and the self-employed?
Where there can be *no dispute* that they are self-employed, then there will be no impact on the individual or the entity engaging that individual. There would be *no* right to any holiday entitlement and pay.

If the individual is being incorrectly treated as 'self-employed' and they are in fact a 'worker,' then they may be able to bring a case against the employer. Any review of the case would focus on the usual factors starting with whether the contract truly reflects the working practices of the engagement.

If you believe that you are a worker being incorrectly treated as self-employed, then you may be able to bring a claim for holiday leave; this could be where you took unpaid leave or were refused annual leave.

What is the impact on Personal Service Companies?
Holiday pay is not tax-efficient for the typical one-person limited company – or Personal Service Company. So for a sole director shareholder (or spouse as an additional director and/or shareholder), company holiday pay is not something that is normally considered.

Generally, directors will pay themselves an annual salary equivalent to the National Insurance primary threshold, which ensures the individual receives their 'NIC

Stamp' for that tax year. There is no requirement for directors to pay themselves holiday pay.

For a business with unconnected employees, they will need to ensure that employees receive the appropriate holiday entitlement and pay. This is calculated on the same basis for two workers (as detailed above).

What does it mean for businesses engaging sole traders, freelancers and the self-employed?

The recent changes could prove highly relevant for businesses who engage with sole traders, freelancers and self-employed individuals. Where this is how the business relationship is established, then the individuals will not receive or be paid for annual leave. If there is a risk that the individuals could be classed as 'workers,' then they could bring a claim for holiday pay covering the ***entire length*** of engagement on termination.

To mitigate any potential claims for backdated holiday claims, the engaging entity needs to ensure that there is no risk the individual could be classed as a 'worker.' The best way for engagers do this is to take appropriate professional advice in respect of the contracts, and ensure they truly reflect the business relationship and working practices.

Important Payroll Changes:

From 6 April 2019, employers will need to provide all of their staff with 'fully itemised' payslips, which clearly break down how workers' pay has been calculated in instances where hours – or the rate of pay itself – is variable.

Depending on the nature of the work at hand, different individual payments for various items of work or pay will need to be itemised instead.

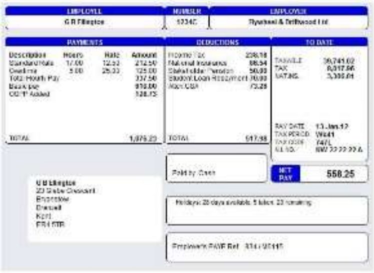
The upcoming changes, which come in a bid to improve transparency around workers' pay and how it is calculated, follow recommendations laid out in the recent Taylor Review into modern employment practices, alongside longstanding calls for change spearheaded by the Low Pay Commission.

Ahead of the deadline, employment solicitors and other experts are urging businesses to act now to "ensure a smooth transition" – as getting to grips with and implementing the new changes could prove to be time-consuming.

Concerns have been raised that many businesses will need to completely revise their payroll processes to make sure that all of the additional information necessary can be collated and included in their payslips.

Lindsey Knowles, Head of Employment Law at Kirwans law firm, said: "Once it comes into force, payslips must include both the information mentioned above, and that set out in Section 8 of the ERA 1996, including earnings before and after any deductions, the amount of any deductions that may change each payment period, such as tax and National Insurance (NI), an explanation of any fixed amount deductions and the net wages to be paid."

The news comes at a time when HM Revenue & Customs (HMRC) is increasingly cracking down on payroll failings regarding the National Minimum Wage (NMW), auto-enrolment pension contributions and company bosses wrongly defining workers as self-employed.



EMPLOYEE	NUMBER	EMPLOYER
G R Ellington	12345	Flywheel & Driftwood Ltd

PAYMENTS

Description	Hours	Rate	Amount
Standard Rate	17.00	12.50	212.50
Overtime	5.00	25.00	125.00
Total Hourly Pay			337.50
Basic pay			610.00
OT? Added			128.73
TOTAL			1,076.23

DEDUCTIONS

Income Tax	236.18
National Insurance	88.54
Stakeholder Pension	50.00
Student Loan Repayment	70.00
Attch CSA	73.26
TOTAL	517.98

TO DATE

TAXABLE	30,741.02
TAX	8,017.96
NAT.INS.	3,306.04
PAY DATE	13-Jan-12
TAX PERIOD	Wk41
TAX CODE	747L
N.I. NO.	NW 22 22 22 A

Paid by Cash

NET PAY 558.25

G R Ellington
23 Glebe Crescent
Broadstow
Dressell
Kent
ER4 5TR

Holidays: 28 days available. 5 taken. 23 remaining

Employer's PAYE Ref: 374 / 98115

Paid / Unpaid Leave:

For Expectant Fathers / Partners:

Fathers, partners and civil partners of a pregnant woman are entitled to unpaid time off during working hours to accompany her to 2 ante-natal appointments.

There is no legal right to paid time off for antenatal appointments. However, employers may allow this time off with pay under the terms and conditions of employment, or allow employees to take annual leave, swap shifts or make up time.

For Adopters / Surrogacy Parents:

The main adopter will be able to take paid time off for up to 5 adoption appointments. The secondary adopter will be entitled to take unpaid time off for up to 2 appointments.

The right to 2 unpaid antenatal appointments will also extend to those who will become parents though a surrogacy arrangement, if they expect to satisfy the conditions for, and intend to apply for a Parental Order for the child.

Live-In Workers:

Where it is necessary for a member of staff to live at his place of work, such as a housemaster in a boarding school, the provision of accommodation is not treated as a taxable benefit for the employee.

However, where it is only customary rather than necessary for a member of staff to live at or close to his workplace, the provision of accommodation will be a taxable benefit unless three conditions are met:

- the accommodation is provided for the better performance of the employee's duties;
- the employment is one in which it is customary for employers to provide living accommodation to a particular class of employee; and
- the employee is a representative occupier.

HMRC is paying particular attention to the customary test, which must be applied across the trade sector as a whole, not just to the specific employer. If fewer than half of employees in that type of employment are provided with living accommodation, provision of accommodation is not considered customary.

If you have staff who are not being taxed on employer provided accommodation, those arrangements should be reviewed without delay.

NICs on Termination Payments Over £30k:

From April 2019 an employer will be required to pay National Insurance contributions (NICs) on any part of a termination payment that exceeds £30,000. This is not new 'news' however conflicting guidance on GOV.UK has been causing some confusion.

The CIPP's advisory service has received several calls regarding this change, which originally was due to come into operation from April 2018. However, it was announced in November 2017 that the Government will introduce the NICs Bill in 2018 and that the measures it will implement will take effect one year later, from April 2019. In addition to the reforms to the NICs treatment of termination payments, this includes the abolition of class 2 NICs and changes to the NICs treatment of sporting testimonials.

The issue with the guidance on GOV.UK has been reported to both HMRC and GOV.UK asking for a correction to be made as soon as possible.

The incorrect guidance advises that the change is effective from April 2018. The correct guidance advises that the change is effective one year later than originally planned, from April 2019.

The employer NICs charge on termination payments over £30,000 is achieved through an amendment to section 10 of the Social Security Contributions and Benefits Act 1992. The amendment specifies that a Class 1A charge will apply to termination payments that count as employment income under section 403 ITEPA, provided the earner also pays Income Tax on that termination payment.

This legislation does not set out the way that the Class 1A charge will be collected as this will be covered in secondary legislation in due course. It is anticipated that this Class 1A charge will arise and be paid in 'real-time' as part of the employer's standard weekly or monthly payroll returns and remittances to HMRC rather than after the end of the tax year, as with other Class 1A charges.

When this process has been confirmed we will, of course, let you know.

TERMINATION OF
EMPLOYMENT

Silly Taxpayer Excuses from HMRC:-

HMRC are constantly reporting the silly excuses given by taxpayers who failed to complete their self assessment Tax Return on time. These include:

1. 'My tax return was on my yacht…which caught fire'
2. 'A wasp in my car caused me to have an accident and my tax return, which was inside, was destroyed'
3. 'My wife helps me with my tax return, but she had a headache for ten days'
4. 'My dog ate my tax return…and all of the reminders'
5. 'I couldn't complete my tax return, because my husband left me and took our accountant with him. I am currently trying to find a new accountant'
6. 'My child scribbled all over the tax return, so I wasn't able to send it back'
7. 'I work for myself, but a colleague borrowed my tax return to photocopy it and lost it'
8. 'My husband told me the deadline was the 31 March'
9. 'My internet connection failed'
10. 'The postman doesn't deliver to my house'

With the self assessment submission deadline of 31 January now past and an automatic penalty of £100 for failing to submit your return on time, please contact us if you need help bringing your affairs up to date.

Corporate Crime:

Fraud is an ever-present danger for any limited company. Have you considered reviewing your company's financial controls?

Twenty years ago, limited companies with a turnover exceeding £350,000 were required to have a statutory audit. This figure has risen over time, with the most recent increase taking it to £10.2m. As a result, for long established small businesses, the annual visit from the auditors is now something of a distant memory. Equally for most more recently established businesses, the statutory audit is not something they have ever considered.

Companies Below the Audit Exemption Threshold:

The drop in accountancy fees and the reduction in the amount of time spent preparing documents for accountants has undoubtedly been appreciated by most limited companies which have been exempted, and for many companies the exemption is wholly appropriate. However with a statutory audit no longer required, few business owners have stopped to consider one of the by-products of an audit, recommendations on how the company's financial controls might be improved. Companies below the exemption threshold may however choose to have an audit, or a more limited scope review akin to an audit, on a voluntary basis.

The Best Line of Defence:

Strong financial controls are the best form of defence against all types of corporate fraud. These controls are vital as soon as a sole owner-manager starts to delegate any part of the financial management of the company to a business partner or to employees. Current areas of particular concern are false email scams, including "false chief-exec fraud", where an email supposedly from the boss requires an urgent payment to a new supplier, who happens to be the fraudster, and frauds committed by a director.

Corporate Tax Evasion:

This is still a very hot topic with HMRC, and Companies and partnerships need to be very aware that since September 2017, they can be prosecuted if they fail to prevent staff facilitating criminal tax evasion.

They also now become liable for failure to prevent employees, agents or others who provide services on their behalf from facilitating criminal tax evasion. Previously liability arose only for senior members of the organisation, such as directors. Please contact us for more information on how we can help you to risk assess and put appropriate measures in place to protect your business.

Disclosure of Tax Avoidance Schemes:

Significant changes came into effect from 1 January 2018 in respect of penalties for non-compliance.

For a number of years there have been rules governing the disclosure of tax avoidance schemes. HMRC requires information about the relevant scheme which assists them to:

- get early information about schemes and how they claim to work
- find out quickly who has used a scheme

Two issues that are worth reviewing are the changes in the categories of the schemes from 1 January 2018 and also the penalties surrounding non-disclosure/involvement with such schemes.

What has Changed?

There are three different disclosure regimes:

- VAT disclosure regime (VADR)
- Disclosure of Tax Avoidance Schemes: VAT and other indirect taxes (DASVOIT)
- Direct taxes and National Insurance contributions (DOTAS).

The changes relate to the first two categories. From 1 January 2018, DASVOIT came into force. The disclosure regime for VADR now applies to arrangements entered into before 1 January 2018.

DASVOIT applies to arrangements which are used on or after 1 January 2018. However, there is an exclusion from this for arrangements which were marketed or made available by a promoter, or where a promoter knew about arrangements being implemented, before 1 January 2018.

DASVOIT applies to the following taxes, levies and duties (so for most members the emphasis will be on VAT):

- VAT
- Insurance Premium Tax
- General Betting Duty
- Pool Betting Duty
- Remote Gaming Duty
- Machine Games Duty
- Gaming Duty
- Lottery Duty
- Bingo Duty
- Air Passenger Duty
- Hydrocarbon Oils Duty
- Tobacco Products Duty
- duties on spirits, beer, wine, made-wine and cider
- Soft Drinks Industry Levy
- Aggregates Levy
- Landfill Tax
- Climate Change Levy
- customs duties

Who is Responsible for Disclosure:
The main duty to disclose under DASVOIT falls on the promoter of the arrangements. However there are circumstances where the person using the arrangements must disclose. They are:

- if there's a non-UK promoter who hasn't disclosed
- if a lawyer is unable to disclose due to legal professional privilege
- if there is no promoter – for example, it's an in-house scheme

Penalties:
There are penalties for failing to disclose any type of scheme and these apply to promoters, employers and users of avoidance schemes.

Just as importantly, there are also penalties for 'enablers' of schemes which are defeated. An 'enabler' is defined as:

- *any person who is responsible, to any extent, for the design, marketing or otherwise facilitating another person to enter into abusive tax arrangements*

This may well include the client's accountant if they are seen to be involved with or advise on a tax scheme. HMRC has issued full guidance on the application of penalties relating to defeated schemes which include examples of when / how various advisers become 'enablers' (see below).

Further information:
HMRC guidance on the tax avoidance scheme changes.

HMRC detailed guidance on the new DASVOIT disclosure scheme.

HMRC guidance on penalties for defeated schemes.

TAX
AVOIDANCE

Official Interest Rate:

The Official Interest Rate currently remains unchanged at 2.5%. This rate is used to calculate a taxpayer's benefit-in-kind charge on beneficial loans, for example.

Contract of Employment / Written Statement:

If an employment lasts for at least a month, most employees are legally entitled to a written statement of the main terms and conditions of their employment. This should be supplied within two months. While details of sick leave and discipline and grievance procedures may be contained in other documents, the statement itself should be a single document and must contain information such as:

- the name of the employer and employee;
- the date that the employment or the period of continuous employment started;
- the job location;
- the pay and whether it's weekly, monthly etc;
- the working hours;
- the holiday entitlement;
- the job description / job title;
- the details of any collective agreement that directly affect the employee's conditions of employment.

This written statement is a legally binding agreement between an employer and employee, where an employee agrees to work for an employer for payment. It is evidence of the contract of employment.

Ideally, the statement should be provided when employment starts, but it must be provided within two months of starting work. Employers should note that failure to provide a certificate could ultimately result in the employee making a claim to an employment tribunal. If this is upheld, compensation of between two and four week's pay could be awarded. Employers should be aware of the potential adverse effect this may have not only on their relationship with that individual employee, but with other members of their workforce.

Making Bullying and Harassment a Thing of the Past:

Employers have a duty of care to their employees which means that they must take reasonable steps to prevent bullying and harassment. Bullying can cause stress and lead to employment tribunal claims against employers

Bullying and harassment means any unwanted behaviour that makes someone feel intimidated, degraded, humiliated or offended. It is not necessarily always obvious or apparent to others, and may happen in the workplace without an employer's awareness.

Bullying or harassment can be between two individuals or it may involve groups of people. It might be obvious or it might be insidious. It may be persistent or an isolated incident. It can also occur in written communications, by phone or through email, not just face-to-face.

Examples of bullying / harassing behaviour could include:

- spreading malicious rumours, or insulting someone
- exclusion or victimisation
- unfair treatment
- deliberately undermining a competent worker by constant criticism.

Under the Equality Act 2010, harassment is unwanted conduct which is related to one of the following: age, disability, gender reassignment, race, religion or belief, sex and sexual orientation and is therefore unlawful.

People do not always feel able or confident enough to complain, particularly if the harasser is a manager or senior member of staff. Sometimes they will simply resign. It is therefore very important for employers to ensure that staff are aware of options available to them to deal with potential bullying or harassment, and that these remain confidential.

STOP
WORKPLACE
BULLYING

HMRC Takes Hard Line on Illegal Working:

You can be sent to jail for 5 years and pay an unlimited fine if you're found guilty of employing someone who you knew or had 'reasonable cause to believe' did not have the right to work in the UK.

This includes, for example, if you had any reason to believe that:

- they did not have leave (permission) to enter or remain in the UK
- their leave had expired
- they were not allowed to do certain types of work
- their papers were incorrect or false

Check your Employees Properly:

You can also be penalised if you employ someone who does not have the right to work and you did not do the correct checks, or you did not do them properly.

If this happens, you might get a 'referral notice' to let you know your case is being considered and that you might have to pay a civil penalty (fine) of up to £20,000 for each illegal worker.

You'll be sent a 'civil penalty notice' if you're found liable and you'll have 28 days to respond.

The notice will tell you how to pay, what to do next, and how to object to the decision.

Your business's details may be published by Immigration Enforcement as a warning to other businesses not to employ illegal workers.

IMMIGRATION
19

Employee Benefits:

Happy employees are productive employees, but different individuals require varying benefits with their remuneration package.

For example, Fred values a parking space close to work, but Mary prefers to have a bicycle, while Sid is attracted by a generous employer pension contribution.

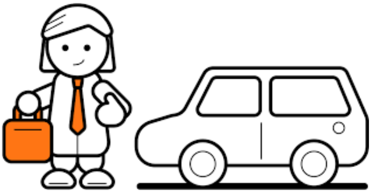
If you offer Fred, Mary and Sid the same gross salary and allow them to sacrifice set amounts for the benefits they value, you could run into the tricky rules called optional remuneration arrangements (OpRA). In essence, if employees forego some salary in order to receive a benefit, they are taxed on the amount of salary sacrificed rather than the value of the benefit.

There are exemptions from the OpRA rules for employer pension contributions and bicycles provided under a cycle to work scheme, which are both tax-free benefits. A parking space close to work is also a taxfree benefit but it is not exempt from the OpRA rules. Mary and Sid will enjoy their tax-free benefits but Fred will be taxed on the salary sacrificed for the tax-free parking space.

The solution is not to offer Fred the choice of salary or parking space, but instead offer him basic salary plus parking space, take it or leave it. His employment contract will have to be carefully drafted to make it clear that no option was available.

Benefit In Kind – Company Cars:

From 6 April 2019, benefit in kind (BiK) tax rates are increasing for company cars. The percentage applied to the list price of the car will increase based on the CO2 emissions published by the Vehicle Certification Agency.



Electric Charge Points Allowance:

From 1 April 2019, the current 100% first-year allowance for costs incurred on installing electric charge-points will be extended until 2023 to further encourage the take up of electric vehicles. The 100% first year allowance will expire on 31 March 2023 for corporation tax purposes and 5 April 2023 for income tax purposes.

The measure, first introduced on 23 November 2016, is designed to encourage the use of electric vehicles by supporting the development and installation of electric charging equipment.

Van Benefit Charge:

Van benefit charge will increase in line with the Consumer Price Index (CPI) and the car and van fuel benefit charge will increase in line with the Retail Price Index (RPI).

The flat-rate van benefit charge will increase to £3,430, the multiplier for the car fuel benefit charge will increase to £24,100, and the flat-rate van fuel benefit charge will increase to £655.

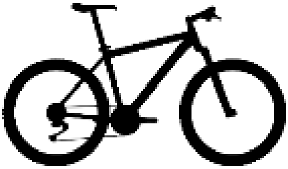
The changes will have effect on and after 6 April.

Mileage Rates:

This is an ongoing topic of conversation with our clients, and we still strongly recommend keeping a mileage log where possible, detailing all miles undertaken for an on behalf of business matters. However, it is also still important to keep receipts for your motor expenses, as this enables us to calculate your most tax efficient claim.

The Mileage rates remain the same for the 2019/20 tax year:-

Car & Vans	45p per mile for first 10,000
	25p per each subsequent mile
Motor Cycles	24p per mile, irrespective of total miles
Bicycles	20p per mile, irrespective of total miles



Apprenticeship Levy:

From 1 April 2019 the government will introduce a package of reforms to the apprenticeship levy to strengthen the role of employers, including providing up to £240m to halve the co-investment rate for apprenticeship training to 5%.

Other reforms include raising the amount of the apprentice levy that larger companies can transfer to smaller firms in their supply chain from 10% to 25%.

A further £5m was announced for the Institute for Apprenticeships to introduce new standards and updating existing ones so that more courses can be offered – meaning more choice for those considering their training options. The government will discontinue the old frameworks so that all new apprenticeships will be on the same higher-quality standards by the start of the 2020/21 academic year.

APPRENTICE

Staff & Snow!

What are my rights as an employee if my child's school is closed due to snow?
According to the law, you have the right to take 'dependent leave' to make sure your child is looked after in an emergency. This is essentially unpaid time off work. A specialist employment solicitor at Nelsons Solicitors, says: 'You are entitled to take a reasonable amount of unpaid time off work to take care of your kids if there is unexpected disruption in their normal care arrangements – the closure of a nursery or school would qualify as an emergency. 'However, this is not time off to look after the child, but to make alternative arrangements for their care instead. 'Many employers are more flexible though in these circumstances and will allow employees to take holiday at short notice or, if appropriate, to work from home or make the time up.'

I can't get into work because of the bad weather. Does my employer have to pay me?
Essentially no. It's usually your responsibility to get to and from work so if you don't show up, an employer is entitled to regard absence as unauthorised. An exception to this would be where the employer provides transport (e.g. a bus service) and this is cancelled. A specialist employment solicitor at Nelson Solicitors says: 'Some employers may consider allowing employees to request the time off as annual leave or to work from home'. 'It is important to remember your employer should not force or pressure you to attempt the journey if there are safety reasons why you should not travel.'

My workplace has closed for the day because of the weather. Do I still get paid?
If your workplace is closed because of the snow, your boss will still have to pay you – unless your contract has a provision allowing for unpaid lay-off. They can, of course, request you work from home if you are able to. If you are on a zero hours contract though, or your employer has a contractual right to decline to offer you work at short notice, they may not have to pay you. Also, if there is advance notice of bad weather, the employer could give notice to require employees to take their holiday.

Finally, a link to the Revenue page - Travel Disruption and Work:
https://www.gov.uk/travel-disruption-your-rights-at-work

Workplace Pension Contributions to Rise – Again!

From April 2019, the amount of money people pay into workplace pensions will rise as minimum contributions from employees are increased from 3% to 5% under auto-enrolment rules. Employers will also see their contributions go up from 2% to 3%.

This follows increases in April 2018 for employees from 1% to the current level of 3% and 1% to 2% for employers.

Although all eligible employees are automatically signed up to their workplace scheme, they are able to leave the scheme if they so wish. This means that there is always the concern that if employee contributions increase by too much, opt out rates will increase.

Tom Selby, senior analyst at AJ Bell says: "To put it into perspective, someone earning around £27,000 and paying in the auto-enrolment minimum will see their personal contribution rise from about £500 this year to more than £850 in 2019/20.

"While for most people this is still not enough to enjoy a comfortable retirement, we are now getting to the stage where some reluctant savers could start to feel the pinch. Rising average pay during 2018 should help ease the pain, but anyone missing out on a salary hike could well be tempted to prioritise spending today over saving for tomorrow.

He adds: "Anyone thinking of quitting their workplace pension needs to understand that they will be losing out on both tax relief and their employer contribution, which put together double the value of the money they put in. Put another way, opting out of your pension is a bit like taking a voluntary pay cut – so nobody should do it lightly!"

Mr Webb, however, is confident that the scheme will continue to achieve its object of increasing individuals' private pension savings.

automatic
enrolment

Late Payments:

Late payers are never good for business. They can cause huge problems for companies cash flow and for the self employed it can make the difference between you being able to pay your mortgage or not.

Late payment legislation for business to business transactions was updated in March 2013 to implement a European Directive to simplify the procedures across the EU. This legislation is not just for Limited companies, it is for **all** businesses so here's what you can do.

Payment Terms. It is always best practice to agree payment terms with a client before commencing work, however this is not always possible and now you don't have to. Unless agreed otherwise a payment is late if not paid after 60 days for business to business or 30 days for business to public sector transactions.

Charging Interest on Late Payments. You can charge statutory interest at 8% above the Bank of England base rate. If the debt becomes late in the 1st 6 months of the year you use the base rate issued on 31st December, the 2nd 6 months of the year use the base rate issued at 30th June. It's currently 0.5% so you can charge 8.5%.

Calculating Late Payment Interest. Use the following formula:
Debt x Interest rate % x number of days late ÷ 365 =

Additional Charges. Fixed fees can be added to the debt

- £40 for debts up to £999.99
- £70 for debts from £1000 to £9999.99
- £100 for debts of £10k and above

If your costs for chasing your payment are more than the fixed fees above, you can claim the extra expense as 'reasonable costs' so you should never be out of pocket.

References & more detailed guidance can be found:

- Directive 2011/7/EU on combating late payment in commercial transactions.
- Dept for Business Innovation and Skills.
- Base Rates found on Bank of England Website.

How Long Do I Have To Keep Tax Records:

The length of time you need to keep tax records depends on the types of income you earn and the types of tax you are paying. A list of time limits is set out below:

Income Tax and Capital Gains Tax:

If you are not in business:

One year from the 31 January following the end of the tax year. For 2018-19, you would need to keep your records until 31 January 2021.

If you are in business – which includes rental income:

Five years from the 31 January following the end of the tax year. For 2018-19, you would need to keep your business and other tax records until 31 January 2025.

A company subject to Corporation Tax:

Six years from the end of an accounting period. For the year ending 31 January 2018 you would need to keep records until 31 January 2025.

VAT:

You should keep records for at least six years.

PAYE:

You should keep payroll records for three years after the end of a tax year. For 2018-19 this would be until 5 April 2022.

These deadlines can be extended if for example:

- You file your self-assessment tax return late
- A return is subject to an enquiry or compliance check
- Records relate to a transaction spanning more than one year
- An asset is bought which is expected to have a life beyond the time limit

The contents of this Newsletter reflects our understanding of the current Tax Law, which may change when the Finance Act goes through the House of Commons.

If any points arising from our Newsletter make you think of someone you know, please don't hesitate to let them know about us!

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Licenced and Regulated

Davis & Co.
New Forest Accountants

Brinkley, Middle Road, Tiptoe, Lymington, SO41 6FX.

Tel: 01590 681174

E-Mail: davisaccountants@btinternet.com

www.davisaccountantsnewforest.co.uk