Davis & Co.
New Forest Accountants

Summer 2021

Newsletter

Welcome to our Summer 2021 Newsletter.

We're very pleased to bring you this Newsletter as we didn't produce one last year, due to the constant day by day changes that were being introduced.
It has been such an unprecedented period in our lives, which unfortunately don't appear to be over quite yet. The ramifications and pressures posed by Coronavirus and the last minute Brexit deal will stay with us all for years to come.

There are a great numbers of changes that have occurred throughout the year, with the major changes having been conveyed in our e-mail mail shots to you.

Due to the significant changes that have occurred since our last Newsletter, this is unfortunately a very long Newsletter, but we have tried to incorporate as many topics as we could that we feel could affect you and your business. Not all topics are covered in detail, but will at least give you an outline of changes and or relevant updates.

This year has been particularly trying for us all, and we would like to say a huge thank you to our clients that were very patient with us at the start of the pandemic whilst we adjusted to the joys of home-schooling. Our children coped amazingly well and once we had passed the first week and had got into our new routine, and their assistance in the office after school was invaluable.

Income Tax Rates:

The basic personal allowance have increased from £12,500 to £12,570 from 6th April 2021. The basic rate band increases to £37,700 and the higher rate threshold will rise to £50,270 in 2022/22 tax year. This excludes Scotland and the details of those rates are shown later in this Newsletter.

Please note 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 2021/22 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 2021/22 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 £12,570 (2021/22) 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 applies between £100,000 and £125,000 of adjusted net income.

Scottish Income Tax Rates:

Scottish Income Tax was brought in from 6th April 2017.

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**
Personal Allowance	0%	Up to £12,570
Starter	19%	£12,571 - £14,667
Basic	20%	£14,668 - £25,296
Intermediate	21%	£25,297 - £43,662
Higher	41%	£43,663 - £150,000
Top	46%	Over £150,000

Revenue Scotland
Teachd-a-steach Alba

Welsh Income Tax Rates:

Income Tax was devolved to the Welsh government from 6th April 2019.

HMRC still collects income tax, but the government in Westminster no longer receives all of it. The basic, higher and additional rates of income tax have been reduced by 10p by the UK government - instead, that 10p and any additional payments, go to the Welsh government.

If your main home is in Wales, you will pay Welsh rates of income tax. If you move home, either to or from Wales, you will pay the Welsh rate if you live in Wales for more than half of the year. Taxes for people with multiple properties are dependent on your main home, where you live and where you spend most of your time.

Instances where your main home could still be where you spend less time: that's where your family lives, if you are married or in a civil partnership that's where most of your property is that's where you've registered for things such as your GP, car insurance or your bank account.

Wales – Welsh rate of income tax (SRIT):

Rate	**%**	**Range**
Personal Allowance	0%	Up to £12,570
Basic	20%	£12,571 - £50,000
Higher	40%	£50,001 - £150,000
Top	45%	Over £150,000

Personal Tax Account (PTA):

What is a Personal Tax Account? How do I get one? What can I do with it?

Personal Tax Account (PTA)

- HMRC launched this account in December 2015.
- It is intended to make it easier for individuals to review and manage their tax affairs online, together with other interactions with HMRC such as tax credits or child benefit.
- See below for a list of features and services available through the account.
- By December 2016, seven million people had accessed their account.

Setting up a PTA

- Before you can set up your account you will need to verify your identity with HMRC.
- There are two ways to do this:
    - Using your existing Government gateway account. You will have one of these if you have previously submitted a Tax Return online. You will also need a note of your National Insurance number.
    - Using Gov.UK Verify. HMRC will ask you to select from a number of companies who will ask you some questions and check certain documents and financial information in order to verify your identity to HMRC. You will need access to personal documents such as a P60, bank statement, passport or driving license.
- Visit www.gov.uk/personal-tax-account to set up or sign in to your account.

What can I do with my PTA?
HMRC are working to increase the number of services and the information that you can access through your account.

Currently, these include the following:
<u>Employment and PAYE</u>

- Check and amend your Tax code.
- See an Income Tax estimate.
- See details of employment income received and tax deducted that has been Submitted by your employer.
- Check and update the Benefits In Kind that you receive from your employer.

- Tell HMRC about changes to your Company car.
- Claim a repayment of overpaid PAYE/make a payment of underpaid PAYE.
- Claim tax relief on Employment expenses.

Pension and National Insurance

- Obtain a State Pension forecast.
- See details of periods of contracting out and the estimated additional private pension as a result.
- See your National Insurance payment history and any gap years.
- Request a deferral of Class 1 National Insurance.
- Apply for Class 2 or Class 4 National Insurance refunds.
- View and check Lifetime Allowance protection.

Tax credits and benefits

- Renew tax credits.
- Check and manage your tax credits.
- Report changes affecting your child benefit or tax credit claim.

Self Assessment

- Complete and submit your Tax Return.
- View and print Tax calculation summaries (SA302).
- Make a claim to reduce your payments on account.
- Claim a tax repayment to be paid directly to your bank account.
- Check whether you qualify for the Transferable married couples allowance and make a claim.
- Appeal against Late filing penalties.
- Notify HMRC of the cessation of self-employment.

Other

- Go paperless: opt-out of receiving paper copies of various notices.
- Tell HMRC about a change of address.
- Track forms that you have submitted online.

PAYE Tax Codes:

What checks should I carry out on my tax code?
Although the system sounds pretty simple, things can go wrong so it is very important that you check:

- your PAYE coding notice
- that HMRC have used information about you correctly in working out your tax code
- that your employer or pension provider is using the correct tax code for you.

Below is a guide to your tax code. If after reviewing this you are concerned about your code you can always contact us or HMRC direct.

What makes up a tax code?

Allowances
Most people who pay tax in the UK are entitled to personal allowances. These are the starting point for most tax codes. If you have no other income, you can have earnings or pensions up to the amount of your personal allowance without owing any tax.
There may be other amounts to add to your personal allowances to increase the amount you can earn before paying tax (your 'tax free amount') and therefore reduce the tax you have to pay. For example, there may be an amount to be added for certain job expenses (such as using your own car for business), perhaps blind person's allowance, marriage allowance or flat rate expenses for say, uniform cleaning or professional subscriptions.

Reductions
There may be some items in your tax code that reduce your tax free amount. For example:

- if you receive a state pension. The state pension is taxable but the Department for Work and Pensions, who pay it, do not operate the PAYE system. The tax due is therefore collected by reducing your tax free amount by the amount of state pension you are entitled to for the year
- if you are employed and your employer provides you with benefits, such as private medical insurance or a company car, the value of those benefits is taken off your tax free amount
- if you owe tax for an earlier tax year your tax free amount may be reduced so you that you pay it back.
- if you receive income that is not possible to tax before you receive it, your tax free amount will be reduced by an estimate of that income. For

example, if you rent out a property, HMRC might reduce your tax free amount by an estimate of your rental income, or if you receive savings income (paid without tax being taken off from April 2016) not covered by the 0% savings rate or by the personal savings allowance, or perhaps receive dividends over the £2,000 allowance, HMRC will reduce your tax free amount by an amount of the estimated income.

What does the number in your tax code show?

Your tax free amount, reduced as necessary, is turned into a tax code.
HMRC divide the tax free amount by ten and then add on a letter. For example, in 2021/22, someone whose tax free amount is just the personal allowance of £12,570 will have a tax code of 1257L.

See 'K codes' below to find out what happens when the reductions to your tax free amount are more than your personal allowances.

Letters in tax codes

The letters used in tax codes often will not mean much to you. Most are there for HMRC or your employer or pension provider to refer to.
Personal allowances and tax rates may change. Rather than issue new tax codes to millions of people, HMRC will tell employers and pension providers to simply increase by a certain amount all codes ending in, for example, the letter L.
These are the letters used in tax codes:

- L standard tax-free personal allowance
- T your code will not change until it has been reviewed by HMRC
- M you have received 10% of your spouse's personal allowance
- N you have donated 10% of your personal allowance to your spouse
- BR no surplus allowance and income from this source will be taxed at the basic 20% rate
- 0T As BR, but tax will be taken at 40% and 45% if the income enters those tax bands
- X HMRC will review the tax paid at the end of the tax year
- K indicates a negative amount of tax free allowance and that tax has to be paid on this amount
- NT you will not pay tax on this income
- DO tax will be deducted at 40%
- S you are resident in Scotland

Note - Scotland has some new codes to accommodate the new tax rates - SBR 20%, SDO 21%, SD1 41% and SD2 46%

Special tax codes:

K codes

Items that reduce your tax free allowances can add up to more than those allowances, resulting in minus allowances. When this happens, these minus allowances are treated as extra income on which tax is due and a special code number, beginning with the letter K, is used.

If you divide the minus allowances by ten, then take off one, you will get the K tax code. For example, if you have minus allowances of £2,970, your tax code will be K296.

Although K codes are designed to collect extra tax, if you have a K code, your tax deduction for each pay period cannot be more than half of that pay or pension. For instance, if your pay for the week is £300, a K code cannot result in more than £150 being deducted from you in that week.

Code BR

Code BR stands for basic rate (in 2021/22, 20%) and is usually used for a second employment or pension where there is no tax free amount available to reduce your tax deductions. It is different from code 0T. With code BR, tax will only be deducted at basic rate at this job or pension, no matter how much you are paid. But where code 0T is used, tax at the higher and additional rates can be deducted once your income goes over a certain amount.

Code D0

This code is used if all income from this employment or pension is expected to be taxable at 40% (the higher rate). There will usually be another employment or pension where your tax free allowances are given and where at least some of your tax will be deducted at 40%.

Emergency tax codes

When you start a new employment or pension your employer /pension provider will follow the PAYE procedures to issue you a tax code which will be operated until HMRC issue the correct code.
This is a complicated process and one that continually fails. It is important that you check that the proper tax code has been issued by HMRC and is operated. Never assume that the initial code is correct.

Universal Credit Uplift Update:

The chancellor has announced that the £20 a week increase in universal credit payments will be extended for another six months.

Rishi Sunak said the measure, which is worth £1,000 a year, would help those hit hardest by coronavirus.

Universal credit is claimed by more than 5.5 million households across the UK.

The payment was increased by £20 a week in April 2020 as part of the Chancellor's early economic response to the pandemic.

2021/22 Benefit Rates:

The Department for Work and Pensions (DWP) has revealed its new payment rates - including Universal Credit (UC) for the 2021/22 tax year.

The DWP have confirmed that the benefit rate will rise by 0.5 per cent from April 2021 and will come into affect on April 5.

This will increase DWP benefit payments which include UC, Personal Independence Payment (PIP), State Pension and legacy benefits such as Jobseekers Allowance, Disability Living Allowance (DLA, Employment and Support Allowance, Disability Living Allowance (DLA), Employment and Support Allowance (ESA), Income Support and Housing Benefit.

Claim the Marriage Allowance:

The marriage allowance is also known as the transferable tax allowance for married couples and civil partners.

You can give up some of your personal allowance to provide your spouse or civil partner with a tax credit, if you both meet certain conditions.

The marriage allowance is available to all spouses and civil partners, and for the 2021/22 tax year is £1,260. It broadly enables a spouse or civil partner who is not liable to income tax at a rate higher than the basic rate (or higher than the intermediate rate if a Scottish taxpayer) to give up £1,260 of their personal allowance to provide their spouse or civil partner with a tax credit of £252. The recipient spouse or civil partner also must not be liable to income tax above the basic rate (intermediate rate if a Scottish taxpayer). When calculating the highest tax rate at which either spouse is liable you should ignore the dividend nil rate band (dividend allowance) and consider whether the dividend income would be liable to the dividend upper rate (32.5%) were it not for the dividend nil rate band.

NOTE: The recipient spouse or civil partner does not receive an extra personal allowance of £1,260: instead they receive a tax credit of £252 that can be set against their tax liability. If the full tax credit cannot be used by the recipient, the balance will not be repaid, nor will the personal allowance of the transferor (the person giving up part of their allowance) be readjusted.

If you made the claim before 6 April 2022 for the tax year 2021/22, the claim continues until either you withdraw it or the recipient spouse or civil partner does not obtain a tax advantage. On the other hand, if you make the claim after the end of the relevant tax year, it will only have effect for the tax year to which the claim relates. So, if you make a claim after 5 April 2022 for 2021/22, you would need to make another claim for 2022/23 if appropriate.

The claim can be made up to four years from the end of the relevant tax year. In other words, a claim for marriage allowance for the tax year 2021/22 must be made by 5 April 2026. Since 29 November 2017, it has been possible to make a claim even if one of the parties to the marriage or civil partnership is no longer alive – for more information, see our page Death of a spouse or civil partner. The first year that the marriage allowance was available to be claimed was 2015/16. Any claims for that year had to be made by 5 April 2020. From 6 April 2021, claims for the 2016/17 tax year are also out of time.

If you wish to withdraw the claim, for example because it is no longer beneficial, you should note that only the individual who originally made the claim (by allowing their personal allowance to be reduced) may withdraw the election. The withdrawal of the election then only takes place from the start of the following tax year. For example, let us assume a marriage allowance claim has been in place since 2015/16 and is continuing. If the election is withdrawn in August 2021, the marriage allowance claim will continue for the tax year 2021/22, but then not be applied from 6 April 2022.

Personal Savings Allowance:

Everyone has a Personal Savings Allowance (PSA). This is a maximum amount of savings income your savings can earn without being taxed, and is decided based on your total taxable income.

The Personal Savings Allowance was introduced on 6th April 2016, and was a radical reform that meant savers only have to pay tax on the interest that exceeds their personal allowance.

The personal savings allowance 2021/22 for basic rate taxpayers is £1,000.

Band	Personal Savings Allowance
Individuals	No tax to pay
Basic Rate	No tax to pay up to £1,000
Higher Rate	No tax to pay up to £500
Additional Rate	No Allowance

What is savings income?
Savings income includes:

- Any interest your savings earn
- Interest distributions (but not dividend distributions) from authorised unit trusts, open-ended investment companies and investment trusts
- Income from government or company bonds
- Some types of purchased life annuity payments and gains from certain contracts for life insurance

Does ISA interest count as savings income?
No, ISA income does not count towards your Personal Savings Allowance. So you can earn tax-free interest, and still benefit from the full £1,000 Personal Savings Allowance.

The following also doesn't count towards your Personal Savings Allowance:

- Any savings income that's covered by a saver's tax-free personal allowance or the 0% rate for savers with lower earnings
- Dividend distributions (these are covered separately by the Dividend Allowance. Find more on that here)
- Account rewards that are not interest or returns on amounts saved

Who pays tax on joint account interest?
If you share a savings account with your spouse or partner, your Personal Savings Allowance still applies. Taxation on joint accounts is split equally, so you should count 50% of the account's interest towards your own Personal Savings Allowance. This is even the case if you and your partner are in two different tax thresholds. For example, if you are a basic rate taxpayer and your partner is a higher rate taxpayer, then half of the interest will count towards your basic rate PSA of £1,000 and half will count towards your partner's higher rate PSA of £500.

Is Personal Savings Allowance in addition to Personal Allowance?
Yes, your Personal Savings Allowance and your Personal Allowance are completely separate. Your Personal Allowance is the amount you can **earn** without having to pay income tax, whereas your Personal Savings Allowance exclusively applies to any earnings your savings make.

ISA Allowance 2020/21:

The ISA Allowance is reviewed annually.

- The 2021/22 ISA allowance is £20,000 per person
- You have until 5th April 2022 to make use of it
- HMRC set the allowance every year based on the Consumer Price Index (CPI) as of September.
- The savings limit for Junior ISAs is £9,000
- You can spread your ISA allowance between a Cash, Stocks and Shares or Innovative Finance ISA or simply place all your savings in to one of these types of accounts. You can only have one of each.

What kind of Cash ISAs are available?

<u>Instant Access Cash ISA:</u>
This type of cash ISA allows you to withdraw your money quickly and easily whenever you need it.

<u>Easy Access Cash ISA:</u>
This type of cash ISA allows you to withdraw money within set boundaries - for example, you may only be permitted to make a certain number of withdrawals per year.

<u>Fixed Rate Cash ISA:</u>
This type of cash ISA is intended to provide a better rate of interest in return for locking you money away for a set period of time. However, this is not necessarily the case, so it pays to research all your cash ISA options before making a commitment as accessing your money quickly can be difficult.

<u>Structured Deposit ISA:</u>
This type of cash ISA allows you the potential to earn higher returns than you'd usually receive from savings in a regular instant access cash ISA or fixed rate cash ISA, without risking your capital.

Your capital is protected up to a value of £85,000 by the FSCS. If your investment performs well, you'll receive your capital back at the end of the term plus any income you made on the initial deposit. In the event that your investment doesn't perform well you may receive no income or capital growth, but your initial capital will be repaid in full. So, if you put £1,000 into a structured cash ISA and the market does well over the term of the ISA, you might get £1,000 capital + 15% income when your plan matures.

In the event that the market does badly, you may not receive any returns, but you'll get your capital back.

Stamp Duty Relief for First Time Buyers:

From 1 July 2021, if you're a first-time buyer in England or Northern Ireland, you will pay no Stamp Duty on properties worth up to £300,000.

For properties costing up to £500,000, you will pay no Stamp Duty on the first £300,000. You'll then pay Stamp Duty at the relevant rate of 5% on the remaining amount, up to £200,000.

If the property you're buying is worth over £500,000, you will need to pay the standard rates of Stamp Duty and won't qualify for first-time buyer's relief.

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:

If you sub-let a furnished room in your own home to a lodger, you may be able to benefit from the 'rent-a-room' scheme.

What is rent-a-room relief?
Income from renting out a room to a lodger may qualify for 'rent-a-room relief', if:

- your gross income from renting out the room does not exceed £7,500 for the tax year 2020/21 (it was also £7,500 for 2019/20), before the deduction of any expenses;
- the source of the income relates only to one residence; and
- the following conditions are met:
    - the income arises from the letting of furnished accommodation in a 'residence' in the UK, or from associated goods and services, for example providing meals, cleaning or laundry services to a lodger;
    - the house in which the room is let is your only or main residence; and
    - if it were not for the rent-a-room relief, the income would be taxable, either as trading income, property income or miscellaneous income.

If all of the above conditions are met, the income is exempt from tax and you cannot claim any deductions for related expenses. You do not need to do anything for the exemption to apply; it will apply automatically unless you 'opt out'.
You may wish to opt out of the rent-a-room scheme if you have made a loss – that is, your expenses are more than your property income. You may prefer to be taxed on the normal basis for property income, so that you can claim and use the loss.

What if my rent-a-room income exceeds £7,500 for any one tax year?
If you meet all of the conditions for rent-a-room relief above, but your gross property income exceeds £7,500 for 2020/21 (also £7,500 for 2019/20), you do not qualify for the automatic exemption.

However, you can make an election to be taxed on an 'alternative basis'. The taxable amount will then be the gross rent received, which includes any payments received for meals and services, less £7,500 for 2020/21 (also £7,500 for 2019/20). You cannot claim any deductions for related expenses.

This election must be made to HMRC in writing by 31 January, in the second year after the end of the relevant tax year. For example, if you wish to opt in to the 'alternative basis' for the tax year ended 5 April 2020, you must make the election by 31 January 2022. In practice, you would usually do this by ticking the relevant box on your Self Assessment tax return that you want the relief to apply. Filing your tax return by the usual filing deadline will be accepted by HMRC as the relevant notification.

You may not wish to elect to be taxed on the 'alternative basis' if you have made a loss – that is, your expenses are more than your property income. You may prefer to be taxed on the normal basis for property income, so that you can claim and use the loss.

What if the rent-a-room income is split between my spouse/partner/flatmate and me?

If you and another person are due to receive property income from the same property, then the allowance is shared equally between you. The above tests and conditions still apply, but the threshold in each case is £3,750 instead of £7,500. This applies irrespective of the split in actual or beneficial ownership of the property. This means that if your rent-a-room income exceeds £3,750, then you can elect to be taxed on the 'alternative basis', and if it does not exceed £3,750, then it is automatically exempt.

A quirk in the rules is that even if more than two of you are due to share the property income, you still each get relief for up to £3,750. Therefore, if three of you own (and live in) a property together and sub-let a room to a lodger, overall you get 3 x £3,750 relief – that is, £11,250!

Do I need to complete a tax return?

You may need to complete a tax return if you have income from renting out a room which is taxable, although sometimes HMRC can collect the tax on a small amount of rent against your Pay As You Earn (PAYE) code if you are an employee or a pensioner.

More information on needing to complete a tax return can be found in our separate guidance on this topic.

You should therefore tell HMRC about any taxable income from renting a room – contact them as soon as possible, but at the latest by 5 October following the end of the tax year concerned. For example, if you start getting taxable income from renting a room in the year to 5 April 2021, tell HMRC by 5 October 2021.

Where the 5 October deadline is missed, you should still tell HMRC as soon as possible. As long as any tax due is paid on time (normally by the tax return deadline of the following 31 January), there will be no 'potential lost tax revenue' and no penalty to pay for having missed the 5 October deadline.

What impact does renting out a room to a lodger have when I sell my home?
In most cases, none.

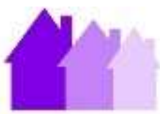
Landlords Tax Relief on Interest:

As of 6th April 2020, you are no longer able to deduct any of your mortgage expenses from rental income to reduce your tax bill. Instead, you'll receive a tax-credit, based on 20% of your mortgage interest payments.

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.

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.

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.



Tax on Acquiring Property in Scotland and Wales:

Homebuyers in Wales will continue to pay no transaction tax on properties purchased for up to £250,000 until 30th June 2021 - but the rates in Scotland returned to their usual level from 1st April 2021.

Typically, buyers in Scotland pay land and buildings transaction tax (LBTT) – equivalent to stamp duty in England and Northern Ireland – on properties costing over £145,000. Those in Wales pay land transaction tax (LTT) on properties over £180,000.

Last July however, Scottish Finance Secretary Kate Forbes announced that this threshold would be raised to £250,000 for buyers in Scotland until 31st March 2021, while Welsh Finance Minister Rebecca Evans raised the Welsh threshold to the same level for the same period.

What is land transaction tax and how much does it cost?
This tax is referred to by different names depending on where you are – stamp duty in England and Northern Ireland, land and buildings transaction tax in Scotland and land transaction tax in Wales. But the basic principle is the same – it's a lump-sum tax that you pay when buying a property that's worth more than a certain amount.

The key differences are the thresholds, meaning you'll pay different rates depending on where you are.

In Scotland at the moment you'll pay:

- Nothing on properties up to £250,000
- 5% on the portion of a property between £250,001 and £325,000.
- 10% on the portion of a property between £325,001 and £750,000.
- 12% on the portion of a property costing over £750,000.

From 1st April onwards you'll pay:

- Nothing on properties purchased for up to £145,000 (this is raised to £175,000 for first-time buyers).
- 2% on the portion of a property between £145,001 and £250,000.
- 5% on the portion of a property between £250,001 and £325,000.
- 10% on the portion of a property between £325,001 and £750,000.
- 12% on the portion of a property costing over £750,000.

In Wales at the moment you'll pay:

- Nothing on properties up to £250,000.
- 5% on the portion of a property between £250,001 and £400,000.

- 7.5% on the portion of a property between £400,001 and £750,000.
- 10% on the portion of a property between £750,001 and £1,500,000.
- 12% on the portion of a property costing more than £1,500,000.

And from 1st July onwards you'll pay:

- Nothing on properties purchased for up to £180,000.
- 3.5% on the portion of a property between £180,001 and £250,000.
- 5% on the portion of a property between £250,001 and £400,000.
- 7.5% on the portion of a property between £400,001 and £750,000.
- 10% on the portion of a property between £750,001 and £1,500,000.
- 12% on the portion of a property costing more than £1,500,000.


Stamp Duty on Property in England and Northern Ireland:

The stamp duty holiday in England and Northern Ireland was originally scheduled to end in March 2021, but it has now been extended to end of June 2021 and will be tapered after that.

This is how it'll work:

- **Until 30 June.** No stamp duty will be due on the first £500,000 of any primary residential property.

- **Between 1 July and 30 September.** No stamp duty will be due on the first £250,000 of any primary residential property.

- **From 1 October.** The stamp duty holiday will end on 30 September, meaning that normal stamp duty rates will apply from October onwards.

You need to have completed your property purchase by 30 September to benefit from the stamp duty holiday. If you exchange on or before 30 September, but complete after 30 September, then you'll have missed the deadline and will need to pay the normal rate of stamp duty.


An Overview of the Property and Trading Income Allowances:

Two new allowances – the trading allowance and the property allowance – were introduced in 2017, applying from the 2017/18 tax year onwards.

While in principle these two allowances offer new and enticing tax breaks for individuals, there are some pitfalls that accounting firms should be aware of when advising their clients about whether to claim them.

The Property Allowance:
The property allowance is a £1,000 tax exemption that individuals can use against income from land or property.

Generally, the allowance can be claimed against a variety of property income sources, for example, property income generated in the UK or overseas, as well as commercial or residential rental income.

An additional benefit of the allowance is that, in cases where a property is jointly owned, each owner can claim their own £1,000 allowance against their share of gross property income.

The Trading Allowance:
The trading allowance is a £1,000 tax exemption, separate to the property allowance, that is available to individuals with trading and miscellaneous income derived from sources such as self-employment, casual work (e.g. babysitting or online selling), and hiring personal equipment.

The trading allowance cannot be claimed on any trading income from a partnership.
Claiming the allowances

There are several ways that the trading and property allowances can be used:
An individual's gross property or trading income for a tax year is £1,000 or less
The relevant allowance should exempt the amount of income from income tax. This is known as "full relief".

Exclusions:
Although the property and trading allowances should be available to a large number of individuals, there are certain circumstances where the allowances cannot be claimed.

For example, the allowances cannot be claimed in a tax year in cases where an individual has trade or property income from:

- Their employer or the employer of their spouse/civil partner;

- A partnership in which the individual or someone connected to them is a partner;
- A company that the individual or someone connected to them owns or controls.

Additionally, HMRC states that the property allowance cannot be used "on income from letting a room in your own home under the Rent a Room Scheme."

Although many individuals, particularly those who dabble in casual work and the "gig" economy, may benefit from the new trading and property allowances, care needs to be taken as to whether to claim these allowances, particularly in cases where an individual has multiple businesses or large business expenses.

Insurance Premium Tax:

Insurance Premium Tax (IPT) is a tax on general insurance premiums, including car insurance, home insurance, and pet insurance. There are two rates of IPT: a standard rate of 12% and a higher rate of 20%, which applies to travel insurance, electrical appliance insurance and some vehicle insurance. Life and other long-term insurance is exempt.

Check your NI record:

If you check your National Insurance record on-line you get several important results. The NI record check shows contributions made, pension qualifying years, gaps, and credits.

Use the National Insurance record checker to view results of:

- NI contributions paid up to the beginning of the most current tax year (i.e. 6th of April).
- What National Insurance credits you received (NI credits only show where applicable).
- Whether there are any gaps in contributions or credits. Only 'qualifying years' count towards the State Pension.
- Whether you can pay voluntary contributions to fill the gaps and how much it would cost.

Please note, you cannot check National Insurance contributions record online unless you have a Government Gateway account.

Pensions Lifetime Allowance Explained:

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. Find out how the pension lifetime allowance works

This total is called the lifetime allowance. In 2021-22 the lifetime allowance remained at £1.073m.

From 2018/19, the lifetime allowance increased every year by inflation (as measured by the Consumer Prices Index rate the previous September). In September 2019, inflation stood at 1.7%. That meant that the lifetime allowance in the 2020-21 increased to £1,073,100. In the 2021 Budget, the allowance was frozen at that amount until April 2026.

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.

Protecting your pension lifetime allowance:
In order to avoid a hefty tax charge on your savings, you'll need to monitor your pensions closely to ensure you don't exceed the lifetime allowance.

But there's another tactic you can use – you apply for 'protection' from the recent reductions in the lifetime allowance, which is available to you in recognition that you were previously saving into your pension with a higher allowance in mind.

There are two types of protection you can apply for which have replaced previous versions:

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.

You can still apply if you already have previous protection, ie:

- enhanced protection
- fixed protection
- fixed protection 2014
- fixed protection 2016

You can't apply if you have either primary protection or individual protection 2014.

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.

If you do put money into a pension once you have fixed protection, you'll lose it and will have to pay a tax charge on the excess

You can apply for fixed protection 2016 if:

- you or your employer haven't added to your pension since 5 April 2016
- opted out of any workplace schemes by 5 April 2016
- already have individual protection 2014

You can't apply if you have enhanced protection, primary protection, fixed protection or fixed protection 2014.

How do I apply for Lifetime Allowance Protection?
You can apply for either individual protection or fixed protection through the government's website

State Pensions and Benefits:

State Pension (per week):

	2021/22	**2020/21**
Old State Pension	£137.60	£134.25
New State Pension #	£179.60	£175.20

Applies to those reaching state retirement age after 5 April 2016

State Pension Age:

For men and women, this is currently 66. The state pension age is scheduled to rise to 67 between 2026 and 2028. The age at which you're eligible for the state pension is set to increase again to age 68 between 2037 and 2039, although the revised timetable hasn't been confirmed.

The July 2017 review revealed plans to bring the state pension age increase to 68 forward to between 2037 and 2039. This means that those born between April 1970 and April 1978 can expect their state pension age to be 68 and not 67, but this this hasn't yet been approved by parliament, so the full amended timetable isn't available.

State Earnings Related Pension Scheme (SERPS):

What is a SERPS pension & can I cash it in?
The State Earnings Related Pension Scheme (SERPS) – also known as the 'additional state pension' – operated between 1978 and 2002. It was replaced by the State Second Pension, which ran until 2016. The key questions for many retirees are therefore: did I ever opt out of SERPS? If so, how did this affect my state pension? And do I have any SERPS-related pension pots out there that I've forgotten about?

What is SERPS pension?
The State Earnings Related Pension Scheme (SERPS) allowed people to increase their state pension income. They could achieve this by building up 'additional state pension', based on their level of earnings over their working life.

However, it was possible to opt out of SERPS or the Second State Pension (known as 'contracting out') in order to enhance your workplace pension or private pension instead. This means that if you were working between 1978 and 2016, you may have been contracted out for some of this time, if any of your workplace pensions offered this option.

What does contracted out mean?
To be eligible for SERPS, you had to be employed and paying Class 1 National Insurance contributions (it wasn't available to the self-employed).

Contracting out essentially meant that some of your NI contributions would be re-directed to an alternative pension plan, known as a 'protected rights pension'. The idea was that this alternative pension would hopefully provide you with a pension pot that was larger than the one you would have received from SERPS.

Some workplace pension schemes would offer you the option of contracting out of SERPS. Others would contract you out automatically. As contracting out of SERPS did not involve making any additional payments, you may not know if you have a protected rights pension or not.

Was I contracted out of SERPS? If so, how do I find my protected rights pension?
You may not be aware of whether your company pension membership meant you were automatically contracted out. It may even be that you chose to contract out while you were a member of a workplace or personal pension, and have forgotten making this decision. Your first task therefore is to find this out. Your financial adviser should be able to help.

What is the maximum SERPS pension I can get?
The maximum additional state pension you can get in 2019/20 is £176.41 per week, but not everyone will get this amount, as it depends on factors such as how much you earned and for how long you were contracted in to SERPS.

Can I pay into SERPS today?
SERPS ended in 2002 and was replaced by the State Second Pension (S2P), which operated in a similar way. The S2P ended in 2016 and was replaced by the 'new state pension', so you can no longer contribute to SERPS.

How does SERPS affect the state pension I receive?
Whether or not you've reached state pension age, the level of state pension income you receive could be affected if you were ever contracted out of SERPS or S2P.

The new state pension was introduced from 6 April 2016. If you reached state pension age before this, you'll receive the old 'basic state pension'. You may also be entitled to receive some 'additional state pension' – and it's this amount which may be reduced if you were ever contracted out of it.

If you reached your state pension age after 6 April 2016, then you'll be eligible to receive the 'new state pension' instead. Again, the amount you receive may be lower if you were ever contracted out. (Note that contracting out was no longer possible after 6 April 2012 except for some final salary schemes).

If you would like to increase your state pension because you aren't eligible for the full amount, possible remedies include:

- Carry on working past your state retirement age
- Claim some NI credits – you may be eligible for these if you stopped working for a period, perhaps to raise a family or because of illness

Can I inherit a SERPS pension?
The SERPS inheritance rules allow you to receive a significant additional income if your spouse or civil partner has passed away.

The current rules allow you to receive between 50 per cent and 100 per cent of your spouse's SERPS pension:

For example: if your spouse is a woman and she was born on October 5 1942, you can inherit all of her SERPS pension when she dies. Or if your spouse is a man and he was born on October 6 1945, you can inherit 50 per cent of his SERPS pension when he dies.

You can't inherit a spouse's SERPS if you re-marry or form a new civil partnership before your state pension age.

You can only inherit a maximum of 50 per cent of the S2P.

Can I cash in my SERPS?
You can't 'cash in' your SERPS. The additional state pension is only ever paid along with your basic state pension, usually directly into your bank account. The income is guaranteed for life, meaning it will never run out.

You may be confused if you have read elsewhere about 'cashing in' a SERPS pension. This however refers to protected rights pensions (i.e. the pension pot(s) that you'll have if you ever opted out of SERPS or S2P). You can access a protected rights pension like any other defined contribution pension pot, from the age of 55.

Some people will lazily refer to protected rights pensions as 'SERPS pensions' and talk about cashing them in. It's important to understand that this refers to the pension pot(s) you have built up by **not** being in SERPS, rather than SERPS itself.

Self Employment Income Support Scheme FAQs:

In the Budget on 3 March 2021 the Government announced an update to the Income Support Scheme for the Self-Employed for fourth and fifth grants. Guidance on how this will operate was also updated on the same date.

Who is this scheme for?
This scheme is available for any self-employed individual or member of a partnership who meet certain criteria.

You do not need to have claimed a previous grant to receive the fourth or fifth grants, as you may only have been adversely affected in later periods, but you must have submitted your 2019/20 self-assessment tax return by 2 March 2021 to be eligible.

This therefore opens the scheme to those who became self-employed from 6 April 2019, which was not the case for earlier grants.

How much will I receive?
The scheme now runs for two additional periods:

Fourth Grant: Covering the period February 2021 to April 2021, the fourth grant will be 80% of three months average trading profits, over the four years 2016/17 – 2019/20 where available.

The maximum payment will be a total of £7,500 and the claim will be paid directly to your bank account in one instalment.

Fifth Grant: Covering the period May 2021 to September 2021, the fifth grant will be 80% of three months average trading profits over the four years 2016/17 – 2019/20 where available.

The maximum payment will be £7,500, for those whose turnover has reduced by 30% or more.

For those with a turnover reduction of less than 30%, the grant will based on 30% of three months average trading profits, calculated as above, and capped at £2,850.

When can I apply?
HMRC will contact eligible taxpayers from mid-April with applications for the fourth grant open from late April to the end of May 2021.

NOTE THAT HMRC will also be issuing pre-verification check letters to up to 100,000 taxpayers who started self-employment in 2019/20 to prove commencement of trade, and should you receive this letter it is important that you complete the checks immediately or you may not be able to claim a grant.
Claims for the fifth grant are expected to be made from late July 2021.

What criteria do I have to meet?
The criteria are the same as for the previous grants and therefore in order to be eligible for the grant you:

- must have submitted your Self-Assessment income tax return for the tax year 2019/20
- must have traded in the tax years 2019/20 and 2020/21
- must be trading when you apply, or would be except for COVID-19
- intend to continue to trade in the tax year 2021/22
- must have lost trading/partnership profits due to COVID-19

Is there a maximum income level?

- your self-employed trading profits must be no more than £50,000, AND
- more than 50% of your taxable income must come from your self-employment

My income fluctuates from year to year – how will this be assessed?
Your trading profits must average less than £50,000 per year by meeting one of the following tests:

- having trading/partnership trading profits in 2019/20 of less than £50,000 and constituting more than 50% of your total taxable income, OR
- having average trading profits in the four years 2016/17 – 2019/20 of less than £50,000 *(i.e. divide total trading profit for four years by four)* with these profits constituting more than 50% of your average taxable income in the same period.

I started trading after 2016-17 – am I still eligible?
Yes. Provided that you meet the above average criteria. HMRC will use the average of the years for which you have submitted a Self-Assessment tax return – but this must include 2019/20.

I have not submitted my 2019-20 tax return yet – will I still be eligible?
You must have submitted your tax return by 2 March 2021.

<u>Self-Employed and Want A Mortgage?</u>

Is it harder to get a mortgage if you're self-employed?
If you're self-employed, it can be more of a challenge to get a mortgage because you'll need to prove you have a reliable income. But getting a mortgage when self-employed is certainly not impossible.

There are plenty of ways to prove to a mortgage lender that you have a reliable income, it's usually just a case of jumping through a few extra hoops.

What are self-certification mortgages and do they still exist?

“Self-certification” or “self-cert” mortgages were specifically designed for the self-employed and allowed them to self-certify how much they earnt in a given year, with no need to provide evidence.
However, self-cert mortgages were banned completely in 2014 due to concerns borrowers were being accepted for mortgages they couldn’t afford.
This means those who are self-employed now need to apply for a mortgage in the same way as everyone else.

What counts as self-employed?
Lenders will view you as self-employed if you own more than 20% to 25% of a business, from which you earn your main income.

You could be a sole trader, company director, or contractor.

How do you get a self-employed mortgage?
If you’re self-employed and looking for a mortgage, you will, in theory, have access to the same range of mortgages as everybody else and you’ll need to pass the lender’s affordability tests in the same way as any other borrower.

But because there is no employer to vouch for your wage, self-employed people are required to provide far more evidence of their income than other borrowers.

Since the introduction of the Mortgage Market Review in 2014, mortgage providers have considerably tightened up their lending criteria and need to be convinced you can afford your mortgage before they agree to lend you the money.

What will I need to provide for a self-employed mortgage?
To prove your income when you apply for a self-employed mortgage, you will need to provide:

- Two or more years’ certified accounts
- SA302 forms or a tax year overview (from HMRC) for the past two or three years
- Evidence of upcoming contracts (if you’re a contractor)
- Evidence of dividend payments or retained profits (if you’re a company director)

Lenders also prefer self-employed mortgage applicants to provide accounts that have been prepared by a qualified, chartered accountant; that way they can be sure of your reliability. It’s likely that they will focus on the average profit you’ve earned over the past few years.

If you only have accounts for one year or even less, you may find it a challenge to convince a lender that you can afford to repay a mortgage – but, again, it’s not impossible. Having evidence that you've got regular work or providing proof of future commissions may help.

Just be aware your choice of mortgages may be more limited.
Having a healthy deposit and a good credit history will also help your chances of securing a mortgage when you're self-employed.

As well as providing evidence of your income, you will also need to provide:

- Passport
- Driving licence
- Council tax bill
- Utility bills dated within three months
- Six months worth of bank statements

Lenders will want to examine your bank statements to look at how much you spend on bills and other costs to be certain you could afford your mortgage repayments.

They may ask about:

- Household bills
- Travel and commuting costs
- Childcare
- Holidays
- Socialising
- Hobbies
- Credit card and store card repayments
- Loan repayments
- Car finance agreements
- Catalogue credit accounts

Do self-employed people have to pay higher mortgage rates?
Self-employed mortgages aren't necessarily more expensive. As long as you're able to supply enough information about your income, you should qualify for the same mortgage deal as someone with a comparable salary in a permanent, full-time job.

The mortgage rate you get is much more likely to depend on the size of your deposit, as well as your credit rating.

The more can put down as a deposit, and the higher your credit rating, the better your mortgage rate is likely to be.

However, if you struggle to get accepted by a mainstream bank, you may have to apply with a specialist lender that deals with self-employed borrowers, and you may find the rates are higher.

How to boost your mortgage chances

There are a number of steps you can take to increase your chances of being accepted for a mortgage when self-employed, such as:

- Save as much as you can for a deposit
- Check your credit rating
- Correct any mistakes on your credit report
- Get on the electoral roll
- Avoid buying certain properties such as flats above commercial premises or old or unusual buildings as lenders are less willing to lend on these
- Speak to a mortgage broker
- Look for a mortgage with a specialist lender

How to find the best mortgage deals for the self-employed

The best way to find a competitive self-employed mortgage is by shopping around and select the type of mortgage you're interested in, enter the amount you need to borrow, the duration of the term and the property value and you'll be able to compare quotes easily and quickly.

The mortgage quotes are automatically sorted by monthly cost, showing you those that are the most affordable on a monthly basis. When comparing deals, make sure you factor in the cost of any fees as you may find it cheaper to go for a mortgage with a higher interest rate but lower fee.

If you're struggling to get accepted by mainstream lenders, you may find that using a specialist broker will improve your chances of securing a mortgage.

A specialist broker should have useful knowledge of which banks and building societies are more willing to lend to those who are self-employed, which have the strictest lending criteria and which are most likely to offer a competitive interest rate to a self-employed borrower.

Majority of Self-Employed are NOT Saving into Pensions:

The industry has renewed its call for a change to pension rules for the self-employed after it emerged a mere 24 per cent are saving into a pension.

Nest's survey of 2000 self-employed people, published in October 2020, found more than half (55 per cent) want more guidance on how to best save for their retirement. In addition, 56 per cent said they favoured the idea of automatically diverting a proportion of their income to saving for retirement, which is already available via auto-enrolment for those who are employed by a business.

In light of this the industry called on the government to do more to help the self-employed, many of whom say they find it hard to save for a pension due to having a low or variable income as well as cash flow challenges.

Kate Smith, head of pensions at Aegon, said: "The self-employed represent a big gap in an otherwise improving pensions landscape. Auto-enrolment has nudged many people who were not saving for retirement in the right direction, but the self-employed are effectively excluded.

"Unsurprisingly, a key barrier for some self-employed is low and variable income, coupled with cash flow challenges. This means many are prioritising making ends meet, paying bills and investing in their business.

"Against this backdrop, the flexibility to decide how much to pay in month on month, year on year into a retirement savings vehicle is essential.

"Pension funds offer valuable tax incentives but are not accessible in emergencies before age 55, meaning for many self-employed, saving for retirement might best involve a combination of pension and more accessible savings products such as Isas."

The government has been looking into ways of reforming the system for the self-employed and in 2018 published a strategy paper which explored using invoicing and accounting systems to enable automatic pension contributions for this group.

Nest, through its research unit Nest Insight, is also working with the Department for Work and Pensions to explore which solutions could help increase long-term savings among the self-employed.

One of the suggestions made was promoting messages such as "save £2.50 a day" or "a tax-free way to save for your retirement" could incentivise more to save into a pension.

It said describing contributions as a daily rather than a monthly amount would encourage more self-employed people to save as it feels more manageable.

Another method would be to stress the importance of pension savings by framing it in terms of what people could lose out on. For example, not being able to have the same level of lifestyle in retirement.

Tim Morris, independent financial adviser at Russell & Co, has welcomed these messages as he believes it is a good starting point.

Mr Morris said: "To save the equivalent to the 8 per cent minimum for employed pension scheme members is difficult if starting from nothing and out of reach for many.

"For this reason, breaking it down to 'save £2.50 a day' or just pay 'what you can when you can', is a starting point and makes this appear more manageable for most."

But he said there was still a risk they will not be saving enough.

He added: "Most of my clients will top up their contribution at tax year/business year end. This helps keep them on track to achieve their desired retirement fund.

"Goal setting is vital here and gives them something to work towards in the long term. It brings to life the importance of saving more and starting sooner. This is the benefit a financial adviser brings.

"Due to the large number of self-employed who don't contribute, compelling them to do so sooner rather than later has to be a good starting point."

Meanwhile Darren Cooke, chartered financial planner at Red Circle Financial Planning, is supportive of the idea of an auto enrolment system for the self-employed although he recognised this is a lot harder to achieve than in the workplace.

Mr Cooke said: "Auto-enrolment seems to have been a great success in the workplace for employed people and that needs to be replicated with the self-employed.

"I think there is a combination of factors that prevent this happening but uncertainty of income is a big one. Many self-employed are concerned about putting money into a pension they can't get at for years and years when they may need that money next month or next year if their work situation changes.
"Wider awareness that they can save a little bit and often into a pension and systems to allow them to do that may help overcome that so they literally can add

a couple of quid every day by not buying a coffee but putting that money into their pension instead."

He added: "Semi-compulsory savings like a workplace pension would be better but much harder to introduce for the self-employed."

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.

Capital Gain Tax on Second Homes:

Capital Gains Tax on second homes have been affected since new rules came into force on 6th April 2020, impacting on second home owners and property investors.

Previously, if as a UK resident you sell a property where Capital Gains Tax (CGT) is due, you have to pay this by January 31st after the end of the tax year in which the gain arose. In some cases this could leave you holding the 'tax' for up to 21 months before it has to be paid to HMRC.

However, since 6th April 2020 the rules changed. Anyone selling a property where CGT is due now has to settle this liability within 30 days of the completion of the sale. This has in some case caused cashflow difficulties in getting the funds to be able to pay the tax in such a short time.

Failure to pay will most likely lead to HMRC charging interest and penalties.

What is Capital Gains Tax?
Capital Gains Tax is a tax on the profit you make when you sell an asset that has increased in value. Capital Gains Tax on second homes falls into this category.

It's the gain you make that's taxed, not the amount of money you receive.

There are specific reliefs from CGT for people selling their principal private residence and generally these ensure there isn't any tax to pay.

The problems arise where the property is not a principal private residence, or was but for only part of the period it was owned. Second homes and property investments will not enjoy any principal private residence reliefs.

How much is Capital Gains Tax on second homes?
There is a higher rate of CGT to pay on the gain you make on a property sale than there is on other assets.

If you are a basic rate taxpayer, you will pay 18% on any gain you make on selling a second property. If you are a higher or additional rate taxpayer, you will pay 28%.

With other assets, the basic rate of CGT is 10%, and the higher rate is 20%.

It is important to note, that any capital gains will be included when working out your tax liability and as a result other income could therefore push you into a higher tax bracket.

All taxpayers have an annual Capital Gains Tax allowance, which means you can make gains up to a certain amount tax free. For the tax year 2021/22, the CGT allowance is up to £12,300 per individual, the same as it was in 2020/21.

Couples who jointly own assets can combine this allowance, potentially avoiding CGT on a gain of £24,600. Any unused allowance cannot be carried forward – so you use it or lose it.

How much CGT will I pay?
Capital Gains Tax is only paid, and at the rates outline above, on the gain that has been made between the cost when you bought the asset and the amount you sold it on for.

To work out your gain, you need to deduct the amount you originally bought the property for from the sales price.

You can also take off any legitimate costs involved with buying and selling. This can include legal fees, estate agents' fees, Stamp Duty and upgrades you made to the property when you owned it.

If you have let out either part or all of your home, a proportion of any gain when you sell it could be taxable. But if you used to live in the property, you may be able to claim letting relief, which will reduce your capital gains tax bill. Letting relief doesn't apply to buy-to-let investors who let out their properties and never live in them.

From 2020-21 tax returns going forward, lettings relief will only be available for people who were in shared occupancy with their tenant/tenants. Currently, the amount of letting relief you can claim will be the lowest of either: the gain you receive from the letting proportion of the home or the amount of private residence relief you can claim or £40,000. It's important to note that you can't claim private residence relief and letting relief for the same period. The exact amount of private residence relief and letting relief you can get depends on the amount you sell the home for.

You can also offset losses against the 'gain'. For example, if you are a property investor and make a loss on a property sale, you can offset this against the gain you make on another sale and so reduce the amount on which CGT is liable. Losses can be claimed for up to four years after they were incurred.

Non-Resident Capital Gains Tax:

From 6 April 2020 you need to report and pay your non-resident Capital Gains Tax using the Capital Gains Tax on UK property service if you've sold or disposed of:

- residential UK property or land (land for these purposes also includes any buildings on the land)
- non-residential UK property or land
- mixed use UK property or land
- rights to assets that derive at least 75% of their value from UK land (indirect disposals)

A 'mixed use' property is one that has both residential and non-residential elements. For example, a flat connected to a shop, doctor's surgery or office.
You must report and pay non-resident Capital Gains Tax if you're a:

- non-resident individual
- personal representative of a non-resident who has died
- non-resident who's in a partnership
- non-resident landlord
- non-resident trustee
- UK resident meeting split year conditions and the disposal is made in the overseas part of the tax year

You must report and pay within 30 days of completion of conveyance.

If you do not report and pay before the deadline you'll get a late filing penalty and may be charged interest if you do not do this by the 30th day.

Inheritance Tax:

What is IHT?
If you plan to pass on assets or money after you die, your heirs could face a tax bill of up to 40% of your estate. Your estate is defined as your property, savings and other assets after any debts and funeral expenses have been deducted. You can reduce or avoid IHT in a number of ways. There's a tax-free allowance, and you can also give away a certain amount of your money during your lifetime, tax-free and without it counting towards your estate.

IHT thresholds and rates 2021-22:
Everyone in the 2021-22 tax year has a tax-free inheritance tax allowance of £325,000 – known as the nil-rate band. The allowance has remained the same since 2010-11. The standard inheritance tax rate is 40% of anything in your estate over the £325,000 threshold. For example, if you leave behind an estate worth £500,000, the tax bill will be £70,000 (40% on £175,000 – the difference between £500,000 and £325,000). However, if you're married or in a civil partnership, you may be able to leave more than this before paying tax. As of April 2017, you can also pay less inheritance tax if you're leaving property to a family member. For the 2021-22 tax year, this transferable allowance is £175,000.

Do spouses pay IHT?
Married couples and civil partners are allowed to pass their possessions and assets to each other tax-free in most cases. The surviving partner is allowed to use both tax-free allowances, providing the first spouse to die did not use up their full inheritance tax allowance by giving away a big chunk of money in their will. In 2021-22, most married couple or civil partners can pass on up to £650,000, or £1m if your estate includes your home, effectively doubling the amount the surviving partner can leave behind tax-free without the need for special tax planning. However, some people whose partner died before 21 March 1972 will be caught by a loophole which means they don't get a 'double allowance'.

Gifts and other ways to avoid IHT:
Some gifts are usually tax-free. These include gifts between spouses and civil partners, and gifts to charities. Other gifts are potentially tax-free (known as potentially exempt transfers or PETs) depending on when they were made. Generally, as long as a gift is made more than seven years before your death to an individual – not to a business or a trust – you won't pay tax on it. If you do die within these seven years, the tax payable on the gift may be reduced, depending on when the gift was made.

There are other ways to avoid inheritance tax, too - including putting your life insurance policy under trust or having a deed of variation in your will. Trusts can also be a useful way to manage your IHT bill, and keep an element of control over what happens to your assets when you pass away. There are also other options like equity release and insurance policies.

Who pays the IHT bill?
Inheritance tax due on money or possessions passed on when you die is usually paid from your estate. Your estate is made up of everything you own, minus debts, such

as your mortgage, and expenses such as funeral expenses. Your heirs must pay IHT by the end of the sixth month after the person died. An inheritance tax reference number from HMRC is needed first, and should be applied for at least three weeks before a payment needs to be made. However, if the tax is due on gifts you made during the last seven years before your death, the people who received the gifts must pay the tax in most circumstances. If they can't or will not pay, the amount due then comes out of your estate. To find out more about the legal process of dealing with the estate of someone who has died, check out our probate guides.

Cost Of Probate Fees In The UK In 2021:

How much does probate cost?
The cost of probate varies, depending on the estate and who handles the process. The cost of has two main components; fixed costs and variable costs. Fixed costs are essentially the application fee.

Variable costs are effectively anything else, including the specialist probate services. The fixed cost is a minimum of £155, and the variable fee is likely to be around 1-5% of the value of the estate, plus VAT.

Who is responsible for paying for probate?
The cost of probate fees are paid out of the deceased's estate. So while the process will not cost the executor or administrator, they should still try to keep the cost low for the benefit of the beneficiaries.

Can I do probate myself?
It is possible to do probate yourself, and if you are dealing with a small, simple estate, this can save thousands of pounds.

When deciding if you want to appoint a probate solicitor or specialist, you should consider the complexity of the estate and the amount of time you have to work on the probate process.

Also, it will take 50-80 hours to do probate, so you have to take into account whether you have enough free time.

How much does probate cost in the UK to do it yourself?
If you decide to do probate yourself, you will only have to pay a fixed fee. If the deceased person's estate is worth over £5000 after you have paid for their funeral costs and settled their debts, it costs £215 to apply for probate to HM Courts and Tribunals Service. If the deceased's estate is worth less than this, the application is free.

Can I get legal aid for probate?
No. The government and Legal Aid Agency will not pay the cost of Wills, Probate, lasting power of attorney, and trusts.

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.

<u>Lasting Powers of Attorney-What Are They and Do I Need One?</u>

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.

<u>A brief summary of the two types of LPA's available:-</u>

<u>Property and Financial Affairs:</u>
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

<u>Health and Welfare:</u>
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-Doms Can Rest Easy For Now!

The Budget contained very little which should worry non-UK doms. Despite some initial predictions of capital gains tax (CGT) rate changes or reform to inheritance tax (IHT), few changes were announced in the Budget that will specifically impact non-UK domiciled or non-UK resident taxpayers.

One significant change for international taxpayers will be the introduction of a 2% stamp duty land tax (SDLT) surcharge applying to UK residential property acquisitions by non-UK residents from 1 April 2021. Although this change was originally announced in Budget 2018, so has been expected for some time, the fact that the additional 2% charge comes on top of all existing rates can result in eye-catching rates of SDLT of up to 17% in some cases. The definition of 'residence' for the purposes of these rules also differs to that for other UK taxes, which could result in some anomalies.

Focus will now move to whether or not any changes will be announced in the next Budget, expected in Autumn 2021 at the earliest. There are expectations of future CGT rate rises and there remains the possibility of reform to IHT, property taxes more generally, or some form of wealth tax. Indications are that for the short term at least, the UK tax position of non-UK domiciled individuals will not change significantly. In the meantime, those with international aspects to their tax affairs may wish to review existing arrangements as the Chancellor continues to tackle tax avoidance in relation to overseas matters.
Overall, this period of relative legislative calm will be welcome after so many changes over recent years and means that the UK does still retain an attractive tax regime for those wishing to move to the UK from abroad.

Non-UK Resident Stamp Duty Land Tax:
The 2% SDLT surcharge will apply to purchases of residential property in England and Northern Ireland with an effective date from 1 April 2021. The surcharge will apply in addition to the existing rates, including the 3% surcharge that applies to acquisitions of second properties. Draft legislation providing for the changes, which will apply to purchases by both individuals and 'non-natural persons' such as companies, trusts and partnerships, was published in 2020. The draft legislation includes details on those treated as non-UK resident for the purposes of the charge, with definitions that differ from those for the purposes of other UK taxes.

The surcharge only applies to transactions involving residential property in England and Northern Ireland, as Scotland and Wales have separate land transaction taxes.

Gift Aid Small Donations Scheme (GASDS):

GASDS is a top up on small cash donations introduced in 2013.

Charities and Community Amateur Sports Clubs can claim a top up payment of 25% on cash donations of £30 or less without the need for a Gift Aid declaration – this captures things like bucket collections and collecting tins.

The maximum you can claim from April 2016 is £2,000 (on £8,000 of donations).

Potential Child Benefit Trap £50,000:

In 2013, former chancellor George Osborne introduced new rules to child benefits. He scrapped the initiative for anyone earning £60,000 a year or more and reduced the payout for anyone earning between £50,000 and £60,000.

However, critics say the cap penalises households where one parent earns the most money. This is because it is based on the highest earner's salary rather than the family income.

For example, a family where one parent earns £50,000 and the other earns nothing would be immediately subject to the tax. But if both parents earned £25,000 each, they wouldn't have to pay child benefit back, even though the household income is the same as where one parent is working.

Even more confusingly, a family where both parents earn £49,999 would get full child benefit, even though the family income is almost £100,000.

If you're earning over the threshold, you need to complete a Self Assessment at the end of each tax year. HMRC will then calculate how much you owe, and bill you for the outstanding balance. Even though the money is returned, you'll still get a national insurance credit towards your state pension.

However, be careful when you opt out as you could risk your state pension credits.

If you earn above the threshold (£60,000), you must opt out officially to avoid losing any credits.
When you receive the form for child benefit, you have two options.

You can either take the money and pay it back as extra income tax, or you can untick a box on the application form for a "zero rate" child benefit.

This means that you'll still be able to claim the credits without actually receiving the cash.

Tax-Free Childcare Scheme:

What is the Tax-Free Childcare Scheme?
Tax-free Childcare is a government scheme that pays 20% of childcare costs up to a maximum of £2000 each year. The scheme is open to all parents of children under 12 (or under 17 if disabled). If you are having difficulty with your Tax-Free Childcare account you can call the childcare service helpline on 0300 123 4097.

Who is it for?
Tax-free Childcare is a UK-wide scheme covering England, Scotland, Wales and Northern Ireland.

To be eligible for the Tax-free Childcare Scheme, you must be working (and if you have a partner they must work too), and you must not be receiving any support through Tax Credits or Universal Credit. Most parents who are eligible for Universal Credit or Tax Credits can save more money using the childcare elements of these benefits instead of using Tax-Free Childcare. If you work but your partner is unable to work because they are disabled or care for a disabled person, you are eligible for the Tax-free Childcare Scheme.

Usually both parents in a couple must work on an employed or self-employed basis and have an income of at least £142.56 per week. Recently self-employed people are allowed start-up periods where this income level doesn't have to be met, or can use an average over the tax year. Periods on maternity leave, sick leave, paternity leave, parental leave, adoption leave and shared parental leave will count as being in work. However, eligibility is limited to the last 14 days of leave where parents are claiming for a new child, whose birth or adoption led to the time off. Temporary changes due to coronavirus may mean you can continue to qualify in 2021/22 even if your earnings fall, provided you are either on furlough or claiming a Self-Employed Income Support Scheme Grant.

To be eligible the household must have one child under the age of 12, or a child with a disability under the age of 17. It will run according to the school year – so that disabled children will be eligible until the September after their 16th birthday, while other children will be eligible until the September after their 11th birthday. Unlike the childcare voucher system, it doesn't rely on your employer setting up a scheme, and it is available to self-employed people too.

<u>How much help does it offer?</u>
The government contributes 20% of childcare costs, with the maximum help set at £2000 per year per child (or £4000 if the child is disabled). It's called the Tax-free Childcare Scheme because 20% is the basic rate of income tax. It will work by parents paying money into an account with a childcare voucher provider, which the government then tops up. For example, if you put £80 into the account, the government will put in £20.

<u>What about the old Employer Supported Childcare schemes?</u>
People who are already using the childcare voucher system are able to continue using it if they wish. Parents cannot use both childcare vouchers and Tax-free Childcare. The childcare vouchers scheme was closed to new claimants in October 2018. If you use a workplace nursery and get tax relief on the costs of childcare there, this can continue.

<u>Which disabled children are eligible?</u>
A disabled child, for the purposes of Tax-free Childcare, means a child who is receiving disability living allowance (DLA), personal independence payment (PIP), an armed forces independence payment, or a payment from elsewhere in the European Economic Area which has a similar character to those benefits.
Children who are certified as severely sight impaired or blind are also disabled for the purposes of Tax-free childcare.

<u>What about support from Tax Credits?</u>
The support for childcare costs in Tax Credits will not change. You won't be able to use the Tax-free Childcare Scheme if you are receiving Tax Credits – and if you register for tax-free childcare, your tax credits will stop.

<u>What about support from Universal Credit?</u>
Universal Credit replaces Child Tax Credit, Working Tax Credit, Income Support, income-based Jobseeker's Allowance, income-related Employment and Support

Allowance and Housing Benefit. It won't affect existing claimants of these benefits unless you have a change of circumstances which means you need to make a new claim (and even then, you should get advice before claiming UC). You cannot get help from tax-free childcare and still receive UC, and you are not eligible for tax-free childcare if you are getting any UC at all, so it is important to make the right decision.

Under Universal Credit, you are able get help with childcare costs even if you work less than 16 hours. Usually, both parents have to work, with some exceptions such as where one partner has long-term sickness or disability, or caring responsibilities for a disabled person. A maximum of 85% of qualifying childcare costs can be included in Universal Credit, with a limit of £646.35 per month for one child and £1,108.04 per month for two or more. These figures represent the maximum amount, it is important to note that you will receive less if your income is higher.

Limited Liability Partnerships – Advantages & Disadvantages:

An LLP is a form of separate legal business entity that gives the benefits of limited liability but allows its members the flexibility of organising their internal structure as a traditional partnership. They are intended for businesses which carry on a trade or profession, and are particularly attractive to larger professional partnerships.

LLPs are in law regarded as 'bodies corporate' and are subject to aspects of company law, but for tax they will generally be treated as 'partnerships'. The members provide working capital and share any profits. Members who are individuals will be liable to pay income tax under self assessment, and self-employed Class 2 and Class 4 National Insurance contributions. Members who are companies will be liable to pay corporation tax on their share of profits.

The members of an LLP have limited liability, but the LLP is liable for all its debts to the full extent of its assets. To the extent that the members have contributed to those assets, a member risks losing that amount should the creditors claim those assets.

An LLP has unlimited capacity which means that third parties need not be concerned about any restrictions or activities.

An LLP has complete flexibility as to the internal structure which it wishes to adopt; there are no requirements for board or general meetings or decision-making by resolution. Unlike a company, but similar to a partnership, an LLP does not have a memorandum or articles of association.

LLP disclosure requirements are very similar to those of a company, including the filing of annual accounts (audited where necessary). There are also similar rules for the filing of annual returns, and notifying changes in members' details or the location of the Registered Office. However, the LLP agreement remains confidential.

Every LLP must have at least two, formally appointed, Designated Members, who carry responsibilities similar to those of a Company Secretary. These designated members have statutory responsibility for certain tasks and are personally liable in the event of a default to any fine or penalty. Responsibilities include:

- Signing accounts
- Delivering accounts to the registrar of companies
- Appointments and removal of auditors (if required)
- Notification of membership changes (and changes to the registered office) to the registrar of companies.
- Preparing, signing and delivering the annual return
- Applying for the LLP to be struck off the register

The name of an LLP is used in a similar way to that of a company, and is displayed in the format Millionaire Limited Liability Partnership, or Millionaire LLP, and there are similar restrictions on the use of similar or sensitive names

LLP agreement

A comprehensive agreement governing the duties and responsibilities of the members is a necessity, therefore, and it will need to include provisions for:

- The management of the LLP
- The decision-making process
- The capital contributions required of the members, both while a going concern and (if any) on liquidation
- The division of profits
- Changes to the membership
- Dispute resolution
- Termination of the LLP
- Provision for the amendment of the LLP agreement

Advantages of an LLP include:

- Limited liability: reduced risk to personal wealth from creditors' claims
- Internal flexibility: facilitates participation in management and maintenance of ethos of the partnership.

Disadvantages of an LLP include:

- Lack of privacy - financial information must normally be disclosed
- Requirement for an LLP agreement: this is needed to avoid default provisions applying and to cover situations not addressed by default provisions

Capital Allowances – Super Deduction:

Designed to help offset the increased Corporation Tax main rate and promote investment, the Chancellor announced the introduction of a new ground breaking super-deduction tax relief. The new temporary tax relief applies on qualifying capital asset investments and will apply from 1 April 2021 until 31 March 2023. The new super-deduction is designed to help companies finance expansion in the wake of the coronavirus pandemic and help to drive growth.

The measure will apply to qualifying expenditures as follows:

- a super-deduction providing allowances of 130% of most new plant and machinery investments that ordinarily qualify for 18% main rate writing down allowances
- a first year allowance of 50% will apply to most new plant and machinery investments that ordinarily qualify for 6% special rate writing down allowances

The measure will apply to qualifying expenditure from 1 April 2021 and will exclude expenditures incurred on contracts entered into prior to Budget day, 3 March 2021. Certain expenditures will be excluded.

The government had also previously announced that the temporary Annual Investment Allowance (AIA) cap would be extended for a further 12 months. The AIA allows for a 100% tax deduction on qualifying expenditure on plant and equipment. The temporary limit of £1 million will remain in place until 31 December 2021 before reverting to the usual £200,000 limit.

Penalties for late filing to HMRC and Companies House:

What happens if I file my Corporation Tax or Company House Accounts after the due date?

At the end of each year, as a limited company you are required to submit an abridged set of accounts to Companies House. You must also submit a CT600 and set of statutory accounts to HMRC.

The accounts for HMRC are required to have an income statement (profit and loss) and a balance sheet. Companies House just require a balance sheet, balance sheet notes and statutory declaration.

The accounts submitted to Companies House are visible on the company register. You can search for your company on the Companies House website and check your companies filing history and other details.

You have 9 months from the end of you accounting period to file your Company accounts to Companies House.

You have 12 months to file your CT600 and accounts to HMRC. However, any corporation tax that is due, must be paid to HMRC by 9 months and a day after the end of you accounting period.

If this is your first year of trading, please see our guidance on what you need to do at the end of your First Year, to help you prepare in advance and avoid any late filing penalties.

Penalties for late filing to Companies House:

If you are late filing your annual accounts to Companies House, then the following penalties will be applied:

Up to 1 Month	£ 150
Up to 1 – 3 Months	£ 375
Up to 3 – 6 Months	£ 550
More than 6 Months	£1,500

Penalties will be doubled if you file your accounts late 2 years in a row.
You will automatically receive a penalty notice if you file after your filing deadline.
Your company maybe struck of the Companies House register if you do not file your accounts or confirmation statement.

If you have a good reason for filing late you can appeal your penalty in writing.

Penalties for filing late to HMRC:
If you are also late filing your CT600 and accounts to HMRC, you will also receive penalties from them in addition to the penalties from Companies House. The penalties for late filing to HMRC are as follows:

1 day	£100
3 Months	Another £100
6 Months	HMRC will estimate your Corporation tax bill and add a 10% penalty
More than 6 Months	Another 10% of any unpaid tax

If your tax return is late 3 times in a row, then the £100 fines are increased to £500.

If you still haven't filed your tax return after 6 months, HMRC will write to you telling you how much tax they think you should pay. This is called tax determination. You cannot appeal this notice.

Filing late to both HMRC and Companies House, even by just a day can result in your company receiving penalty notices of £250.

Overview of Making Tax Digital:

Making Tax Digital is a key part of the government's plans to make it easier for individuals and businesses to get their tax right and keep on top of their affairs.

HMRC's ambition is to become one of the most digitally advanced tax administrations in the world. Making Tax Digital is making fundamental changes to the way the tax system works – transforming tax administration so that it is:

- more effective
- more efficient
- easier for taxpayers to get their tax right

Review and research:
The government has published a comprehensive evaluation of the introduction of the Making Tax Digital programme.

They have also published a number of research reports commissioned by HMRC to explore a wide range of subjects relating to Making Tax Digital:

- Exploring views of business reporting errors to support Making Tax Digital upstream compliance
- Exploring business Income Tax errors and how these can be addressed within software design
- Monitoring business' awareness of Making Tax Digital
- Monitoring agents' awareness of Making Tax Digital
- Making Tax Digital: letter testing
- Making Tax Digital: late submission penalty models
- Exploring complex businesses' tax processes and readiness for Making Tax Digital
- Evaluating Making Tax Digital's impact on record keeping behaviour and scope for error among small businesses

Making Tax Digital for VAT
VAT-registered businesses with a taxable turnover above the VAT threshold (£85,000) are now required to follow the Making Tax Digital rules by keeping digital records and using software to submit their VAT returns.

If you are below the VAT threshold you can voluntarily join the Making Tax Digital service now.

VAT-registered businesses with a taxable turnover below £85,000 will be required to follow Making Tax digital rules for their first VAT Return starting on or after April 2022.

Making Tax Digital for Income Tax
Self-employed businesses and landlords with annual business or property income above £10,000 will need to follow the rules for MTD for Income Tax from their next accounting period starting on or after 6 April 2023.

Some businesses and agents are already keeping digital records and providing updates to HMRC as part of a live pilot to test and develop the Making Tax Digital service for Income Tax. If you are a self-employed business or landlord you can voluntarily use software to keep business records digitally and send Income Tax updates to HMRC instead of filing a Self Assessment tax return.

Making Tax Digital for Corporation Tax
The government has published a consultation on the future design of Making Tax Digital for Corporation Tax and welcomes views from companies and other organisations within the charge to Corporation Tax, agents, professional bodies and software developers.

The government will provide businesses with an opportunity to take part in a pilot for Making Tax Digital for Corporation Tax and will not mandate its usage before 2026.

Helping businesses, self-employed people and landlords get it right first time
The majority of customers want to get their tax right but the latest tax gap figures show that too many find this hard, with avoidable mistakes costing the Exchequer £8.5 billion in 2018 to 2019. The improved accuracy that digital records provide, along with the help built into many software products and the fact that information is sent directly to HMRC from the digital records, avoiding transposition errors, will reduce the amount of tax lost to these avoidable errors.

Revenue have consulted with stakeholders throughout the development of Making Tax Digital, both formally and informally.
The primary legislation for Making Tax Digital relating to VAT and Income Tax is contained in the Finance (No.2) Act 2017, providing certainty about the broad framework in which Making Tax Digital will operate, with secondary legislation for VAT laid in February 2018, which came into force from April 2019.

HMRC have published a VAT Notice which explains the rules for Making Tax Digital for VAT and about the digital information that must be kept.

Revenue have also published a communication pack which supports our partnership working arrangements with stakeholders, who can use the contents to inform their own communications activity and key messages for their clients, customers or members.

VAT Threshold:

The VAT registration threshold remains at £85,000 for 2021/22 tax year.

VAT Reverse Charge Scheme:

The new VAT Reverse Charge Scheme came into effect on the 1st March 2021.

Where it applies the effect of the scheme is to take VAT payments out of the transaction so the provider of the goods or services cannot disappear or fail to pay the VAT due. Instead, the purchaser of the goods or services within the CIS supply chain accounts for the VAT (output tax) due to HMRC rather than the provider of the goods or services. The purchaser does this by declaring the VAT due as output tax on its VAT return. This can also be reclaimed as input tax subject to the normal rules – for most transactions the VAT is simply netted off.

The new VAT Reverse Charge Scheme classifies EEBS (Energy Efficient Building Seminar) as a "Labour Provider" and we are not therefore affected by the new regulations. There will be no change to how VAT is invoiced, paid or recorded on these purchases. Other suppliers within the normal CIS supply chain are subject to the new rules.

So, for reference;

- End users: No change – you charge VAT on your invoice and receive it from the client as normal. You record the output tax in box 1 of the VAT return, and the net value of the sale in box 6.
- CIS contractors to whom the Reverse Charge applies: You identify on the invoice that the Reverse Charge applies to VAT, so they do not pay it, and neither do you record it as output tax in box 1 of the VAT return. You record the value of the transaction in box 6 as normal.
- CIS Sub-contractors that are supplied through EEBS: No change – you pay the VAT on our invoice to us. You reclaim the VAT from our invoice as normal input tax in box 4 of the VAT return, and the nett value of the purchase in box 7.
- Sub-contractors who you engage directly and who are subject to the scheme: You receive an invoice from them that shows that the Reverse

Charge has been applied, and at what rate the supply was made. (20% or 5%). You record the VAT element *that would have been due on the invoice* as output tax in box 1. You *also* reclaim this amount as input tax in box 4 as normal, as well as recording the net amount of the purchase in box 7 of the return. You must not duplicate the value of the purchase as a sale in box 6!

If your cashflow is damaged by the new scheme you can now move to monthly reporting, to ease the impact of the scheme on your business.

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.

<u>Limited Companies</u>
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.

<u>Flat rate method</u>
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 £6 per week 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.

20 Tips for Working From Home:

The global spread of COVID-19 has been keeping people at home. Much of the world has been or still is in lockdown. Despite the gradual lifting of some of the Lockdown measures, some employers are still encouraging or requiring people to work from home for an indeterminate amount of time.

If you're new to the work-from-home lifestyle, whether due to coronavirus or because you've managed to find a remote-based job, you'll need to change some of your habits and routines to make working from home a success. Everyone who works remotely has to figure out when to work, where to work, and how to create boundaries between work and personal life. What about office equipment, career development, training opportunities, and building relationships with colleagues? Working remotely, especially when working from home most of the time, means figuring out these issues and others.

Here are 20 tips for leading a better and more productive remote-working life, based on my experience and what I've learned from others.

1. Maintain Regular Hours
Set a schedule, and stick to it...most of the time. Having clear guidelines for when to work and when to call it a day helps many remote workers maintain work-life balance. That said, one of the benefits of remote work is flexibility, and sometimes you need to extend your day or start early to accommodate someone else's time zone. When you do, be sure to wrap up earlier than usual or sleep in a bit the next morning to make up for it.

2. Create a Morning Routine
Deciding you'll sit down at your desk and start work at a certain time is one thing. Creating a routine that guides you into the chair is another. What in your morning routine indicates you're about to start work? It might be making a cup of coffee and taking the time to actually savour it before you start looking at your to-do list. It might be returning home after a jog. It might be getting dressed (wearing pyjama pants to work is a perk for some, but a bad strategy for others). A routine can be more powerful than a clock at helping you get started each day.
I say "morning," but not everyone who works from home follows a nine-to-five schedule. Yours might be a "getting started" routine at another time of day.

3. Set Ground Rules With the People in Your Space
Set ground rules with other people in your home or who share your space for when you work. If you have children who come home from school while you're still working, they need clear rules about what they can and cannot do during that time.

Additionally, just because you're home and can let service people into the house or take care of pets doesn't mean other family members should assume you will always do it. If that's how you choose to divide up the domestic labour, that's fine, but if you simply take it all on by default because you're home, you may feel taken advantage of, and your productivity may suffer.

4. Schedule Breaks
Know your company's policy on break times and take them. If you're self-employed, give yourself adequate time during the day to walk away from the computer screen and phone. Some people swear by the Pomodoro method, which is a time management technique. To try it, set a timer for 25 minutes and then take a 5-minute break. After four 25-minute sessions, take a break that's 15 to 30 minutes. Continue these intervals throughout the day.

5. Take Breaks in Their Entirety
Don't short-change yourself during breaks, especially your lunch hour. If you return to your desk after only 40 minutes, walk away for another 20.

6. Leave Home
To the extent that it's allowed and safe where you are during the COVID-19 outbreak, get out of the house, provided you can maintain social distancing of course. The same advice applies to people who work in traditional office settings, too. Leave the building at least once a day. Your body needs to move. Plus, the fresh air and natural light will do you good.

You don't have to go to crowded public spaces to get away from your solo workspace (and you probably shouldn't right now, either). Take a walk. Weed the garden!

7. Don't Hesitate to Ask for What You Need
If you're employed by a company or organisation that supports your work-from-home setup, request the equipment you need as soon as you start working from home, or within a day or two when you realize you need something new. It's extremely important to set precedents early that you will ask for what you need to get your job done comfortably, including the right monitor, keyboard, mouse, chair, printer, software, and so forth. Organisations that are accustomed to remote employees often have a budget for home office equipment. Ask what it is and how often it's renewed. It also doesn't hurt to ask whether there's a loan agreement or who will pay for return shipping or disposal of outdated equipment.
If you're working from home unexpectedly due to coronavirus, ask for what you need within reason. You could be working from home for weeks on end and you should be comfortable, but ordering a new office chair and desk might be asking

too much. Consider a mouse and keyboard, plus a back-supporting cushion instead. For more tips on getting your new space in shape, you can read our story on everything you need to set up an ergonomic office.

8. Keep a Dedicated Office Space
In an ideal world, remote employees would have not only a dedicated office, but also two computers, one for work and one for personal use. It's more secure for the employer, and it lets you do all your NSFW (not safe for work) activities in private. But not everyone has a separate office in their home, and keeping two machines isn't always realistic. Instead, dedicate a desk and some peripherals only for work use. For example, when your laptop is hooked up to the monitor and external keyboard, it's work time. When it's on your lap, that's personal time. You may want to go as far as partitioning your hard drive and creating a separate user account for work. For more on creating a home office that feels like a place you'll want to get work in, you can read our story on cheap and easy ways to level up your home office. We also have tips for how to you can maintain focus and productivity with tips for keeping your desk tidy.

9. Maintain a Separate Phone Number
Set up a phone number that you only use for calls with colleagues and clients. It doesn't have to be a landline, second mobile phone, or even a SIM card. It can be a free VoIP service, such as Google Voice or a Skype number. Similar to some of the other tips, having a separate phone number helps you manage your work-life balance.

10. Use a VPN
Use a VPN (virtual private network) whenever you're connected to a network that you don't control. That includes Wi-Fi at co-working spaces, cafes, libraries, and airports. Some organisations have their own VPNs that off-site employees need to access certain servers or websites that store information meant only for internal use. In those cases, you'll also need to use a VPN at home. In any case, it's a good idea to get into the habit of leaving your VPN connected as often as possible because it's always safer to have it on than not.

One more point about VPNs. Remember, when. you're connected to them, your company could conceivably see what you're doing. So be careful what you view via your corporation VPN.

11. Socialise With Colleagues
Loneliness, disconnect, and isolation are common problems in remote work life, especially for extroverts. Companies with a remote work culture usually offer ways to socialize. For example, they might have chat channels where remote employees

can talk about common interests, meetups for people in the same region, and (once the coronavirus ends) in-person retreats. It's important to figure out how much interaction you need to feel connected and included. Even if you're highly introverted and don't like socialising, give a few interactive experiences a try so that you're familiar with them if you ever decide you want them. If you're not at a company with a strong remote culture, you may need to be more proactive about nurturing relationships.

One of the main ways people socialise at work when they are working from home is via business messaging apps. The only problem is that they can provide *too much* opportunity for socialising.

12. "Show Up" to Meetings and Be Heard
Certainly, you'll take part in video conferences and conference calls, but it's a good idea to attend optional meetings sometimes, too. Be sure to speak up during the meeting so everyone knows you're on the call. A simple, "Thanks, everyone. Bye!" at the close of a meeting will go a long way toward making your presence known.

If your company uses Zoom Meetings for its video conferencing you can quickly master its ins and outs with our story Top Zoom Tips for a Locked-Down World.

13. Get Face Time
If your employer is lax about getting you in a room with other employees, ask to have an annual or semi-annual trip in your contract. It could be for annual planning, training, or team building. Or, tack it onto some other business event, such as a yearly fiscal meeting, nearby conference, or office holiday party. Don't wait around for someone to invite you to the office or an event. Be proactive.
For those unexpectedly working from home who are also trying to reduce face-to-face contact, set up a video call with your colleagues or manager once a week to check in.

14. Take Sick Days
When you're not well, take the sick time you need. If sick days are part of your compensation package, take the time off that you need. Not taking it is like throwing away money. If you're a freelancer who doesn't have paid sick days, it can be very easy to fall into the opposite time-is-money trap and try to power through illnesses. Keep in mind that sometimes it's best to rest and get better so that you can be your most productive self in the long term.

15. Look for Training Opportunities
When you're not in an office with your fellow employees, you might miss out on training and skills development courses that are taught in person. Your company

might even forget to add you to its online training courses. It can be tempting to regard this as a dodged bullet, but you might be missing out on an opportunity to learn something useful. Speak up and make sure you're included.

In addition to top-down training, you can request online or in-person courses, training, and coaching if you need it. For people who work remotely 100 percent of the time, look for learning opportunities that are taught at the company's headquarters or your closest office. That way, you get training and face time with colleagues.

16. Overcommunicate
Working remotely requires you to overcommunicate. Tell everyone who needs to know about your schedule and availability often. When you finish a project or important task, say so. Overcommunicating doesn't necessarily mean you have to write a five-paragraph essay to explain your every move, but it does mean repeating yourself. Joke about how you must have mentioned your upcoming vacation six times already, then mention it again.

17. Be Positive
I like succinct and clear messages, but I know that the less face time I have with people, the less they know how to interpret my tone in writing. When you work remotely full-time, you must be positive, to the point where it may feel like you're being overly positive. Otherwise, you risk sounding like a jerk. It's unfortunate, but true. So embrace the exclamation point! Find your favourite emoji :D. You're going to need them.

18. Take Advantage of Your Perks
Every week, I bake a loaf of bread. Why? Because I work from home and I can. Plus, I enjoy it. When I worked in an office full-time, I struggled to find the time to pop something into the oven that often. Working remotely comes with unique perks. Take advantage of them. You deserve it.

19. Don't Be Too Hard on Yourself
The most successful remote employees have a reputation for being extremely disciplined. After all, it takes serious focus to do any full-time office job from an unconventional space. That said, everyone lets their attention drift sometimes. If you find yourself working one minute and booking flights for your upcoming vacation the next, don't reprimand yourself too harshly. Instead, ask yourself whether people in an office setting do the same thing. If the answer is yes, cut yourself some slack, then get back to work. Above all, remember, you need to balance productivity with self-care; otherwise, you risk burning out.

20. End Your Day With a Routine
Just as you should start your day with a routine, create a habit that signals the close of the workday. It might be a sign off on a business messaging app, an evening dog walk, or a 6 p.m. yoga class. Something as simple as shutting down your computer and turning on a favourite podcast will do. Whatever you choose, do it consistently to mark the end of working hours.

In Summary - Make It Personal
Above all else, figure out what works best for you. Sometimes the answer is apparent, but other times you might need some inspiration from other people who are in the same boat. A supportive community of remote employees does exist, whether you find them in your organisation's intranet or online through blogs or Twitter. Consider, too, that you might need to shake up your routine once in a while, lest it get too...routine.

Construction Industry Scheme (CIS):

Subcontractor Verifications:
Since April 2017, CIS verifications have been 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.

Corporation Tax Rates:

Corporation Tax rates have remained at 19% for the 2021/22 tax year, however, as advised in our Budget Summary, there are big changes coming.

Corporation tax is to increase to 25% in April 2023 - but it will still be the lowest rate in the G7, says the chancellor. However, 70% of companies - with profits of £50,000 or less - will still only be liable for the current 19% rate, while only those with profits of £250,000 or more will pay the full 25%. Companies with profits between £50,000 and £250,000 will pay tax at the main rate reduced by a marginal relief providing a gradual increase in the effective Corporation Tax rate.

Changes to Corporate Tax Loss Relief:

Who is likely to be affected?
Companies and unincorporated associations that pay Corporation Tax and have carried-forward losses.

General description of the measure:
This measure makes amendments to the reform of loss relief rules to ensure the legislation works as intended and to reduce administrative burdens.

Policy objective
Corporation Tax loss reform increased flexibility over the use of tax losses against profits whilst ensuring that businesses pay tax in each accounting period that they make substantial profits.

This measure makes changes to ensure that the legislation works as intended and will protect revenue by giving relief for carried-forward losses only to the extent intended.

Background to the measure
The Corporation Tax loss reform rules were enacted in sections 18 and 19 and Schedule 4 of Finance (No 2) Act 2017 and apply from 1 April 2017 and were further amended by FA 2019. A tax information and impact note was published on 5 December 2016 and gives further information on the background to the rules. Since 2017, HMRC has evaluated the Corporation Tax loss reform rules and identified a number of areas where changes are desirable.

Some groups may be prevented from accessing an allowance to which they are entitled following an acquisition or demerger. This is an unintended consequence of the legislation and is not in line with the policy objective.

Further improvements have been identified in the following areas:

- transfer of a trade where there has been a change of ownership
- group relief
- loss restriction computation
- the deductions allowance, including the group allocation statement

Detailed proposal:
Operative date
The amendment to the nomination procedure and submission of a group allowance statement where a deductions allowance group ceases to exist will apply retrospectively with effect from 1 April 2017.

The following amendments will be treated as having always had effect:

- amounts of in-year reliefs actually claimed to be included in the loss restriction calculation
- capping relevant profits to nil where the allocated deductions allowance exceeds qualifying profits.

The amendments required as a consequence of the introduction of Corporate Capital Loss Restriction (CCLR) to include/refer to capital loss restriction in S296ZF(3) CTA 2010 and s188DD will be treated as having always had effect since the introduction of CCLR on 1 April 2020.

The following amendments will apply for accounting periods beginning on or after 1 April 2021:

- group relief for carried-forward losses
- amendment to correct a group relief circularity issue
- amendment to the time limits and requirement to submit a group allowance allocation statement
- the amendment of the formula for allocation of the deductions allowance

The following amendments will apply with effect from 1 April 2021:

- the extension of the application of "change of ownership" to include Chapter 2E will apply for acquisitions made (on or) after 1 April 2021

Current law

The current law is in Part 5, Part 5A, Part 7ZA (restrictions on certain deductions) and Part 14 (change in company ownership) of Corporation Tax Act 2010 (CTA 2010).

Proposed revisions

Legislation will be introduced in Finance Bill 2021 to ensure groups have access to the deductions allowance to which they are entitled for the period prior to a change in the ultimate parent through acquisition or demerger. Amendments will be made to:

- allow a nomination to be made where there was not a valid nomination at the date the group ceased to exist for the purposes of a deductions allowance group. A nominated company will be able to submit a group allowance allocation statement (GAAS) for periods up to the date the group ceased to exist and thereby have access to a deductions allowance for that period (section 269ZS of CTA 2010)
- transitional provisions will allow an otherwise out of time GAAS to be submitted.

Other amendments will be made to:

- extend the definition of "change of ownership" in section 719(4A) and 721(4) CTA 2010 so that it also applies to Chapter 2E, Part 14 CTA 2010
- group relief for carried-forward losses to allow carried-forward losses to be surrendered where the surrendering company has covered its profits fully (section 188BE of CTA 2010).
- resolve a circularity issue concerning the interaction of group relief (Part 5) and the calculation of qualifying profits (Part 7ZA) and allow the computation to work as intended (section 137(4)(b) of CTA 2010)
- the loss restriction calculation to cap the figure of relevant profits at nil where the allocated deductions allowance exceeds qualifying profits and to ensure only in-year reliefs actually claimed are included in the loss restriction calculation (section 269ZFA (1) of CTA 2010)
- the formula for allocating the group deductions allowance to group companies to allow the nominated company to allocate the deductions allowance as they choose (section 269ZV(5) of CTA 2010)
- extend the time limits for submitting an original group allowance statement to include the enquiry time limits
- remove the requirement for a nominated company to submit a group allowance statement where no group companies have used any carried-forward losses in the period (section 269ZT of CTA 2010)

Tackling Tax Avoidance, Evasion & Other Non-Compliance:

Following Chancellor Sunak's Budget 2021 held on March 3rd, the government announced a number of ways in which they intend to support businesses and jobs throughout the (hopefully!) final stages of the UK lockdown. From coronavirus support for employers and the self-employed; to economy and public finances; health and education support, and changes in taxation – one of the most prominent messages to take from the 2021 budget is the government's commitment to tackling tax avoidance and evasion.

With the new measures of the 2021 Budget, coupled with the fast-approaching IR35 legislative changes; those who are deemed as introducing contractors to a non-compliant or disguised employment model could be at serious risk of facing up to £1m in penalties for promoting tax avoidance.

So, what can you do to ensure your business' supply chain is fully complaint?

Incoming measures: what are they?
The Budget 2021 set out several incoming measures surrounding anti-tax avoidance, anti-tax evasion and tax compliance. These proposed measures include:

- Strengthening of existing anti-tax avoidance regimes
- The creation of financial institution notices (FINs)
- Implementation of OECD rules
- Penalties for late payment of VAT and self-assessed income tax
- R&D relief cap for SMEs

First steps
Firstly, the government shall implement methods to strengthen existing anti-tax avoidance regimes. These shall be in place to tackle promoters of tax avoidance schemes, allowing HMRC to target these individuals or businesses and issue penalties.

Financial Institution Notices
There will be a drilling down on Financial Institution Notices (FINs); where notices will be given to financial institution requesting specific information and documents for HMRC. This will enable HMRC to obtain information of these businesses relating to tax arrangements – ultimately, allowing tax avoidance and evasion to be combatted.

OECD
The budget covers the implementation of OECD rules to allow HMRC to once again, gain further information on digital platforms' sellers and also information about the seller themselves, in order to prevent tax evasion. Further information can be found here.

Tax Penalties
A new reformed regime in relation to tax penalties shall also be reviewed in terms of making the penalty regime for submission of VAT and self-assessment income tax fairer and more accurate. Other factors such as interest shall also be reviewed.

R&D
Finally, an R&D relief cap of £20,000 plus 300% of a business's total Pay as you Earn (PAYE) and National Insurance Contributions (NICs) liable shall come into place to combat tax avoidance and evasion through a cap on SMEs claimable tax

credit for each year as this is identified by HMRC to be a clear target for fraud and abuse.

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.

People with Significant Control (PSC) FAQ's:

The Persons with Significant Control (PSC) regime was introduced in April 2016 by the UK government. Its aim is to increase transparency about who ultimately owns and controls UK companies. It also provides information to potential investors thinking about investing in a company and assists law enforcement agencies with money laundering investigations. The regime is therefore an important aspect of corporate law and is governed by Part 21A of the Companies Act 2006 (the "PSC Regulations"). With that in mind, we have looked at some of the key points for you and your business to note.

Which entities are required to maintain a PSC register?
The regime applies to UK companies (other than those admitted to trading on a regulated UK/EEA market or other markets specified in the PSC Regulations), limited liability partnerships, Societates Europaeae and eligible Scottish partnerships (namely Scottish limited partnerships and Scottish qualifying general partnerships). As such, not all entities are required to maintain a PSC register. Note that, in this post, we are focusing on the regime as far as UK companies limited by shares are concerned.

What steps do companies need to take?
Under the PSC regime, UK companies are required firstly to identify any PSCs. In this respect, they will need to consider the conditions discussed below. The company will then need to prepare and maintain a PSC register. Moreover, the company will be required to provide information about its PSC position to Companies House (where it will be publicly available). The company will also need to update the information held at Companies House, and on its own PSC register, should there be any changes.

Which individuals or entities should be entered on a PSC register?
Those individuals satisfying one or more of the conditions discussed below should be entered on the company's PSC register. Furthermore, any Relevant Legal Entities (RLE) should be entered on the register.
In brief, an RLE is an entity which would satisfy the PSC conditions if it were an individual and which is subject to its own disclosure requirements (such as keeping a PSC register). As such, a UK company could be an RLE in relation to the company (along with overseas companies who are listed in the UK or on certain overseas markets).

In relation to a group structure scenario, where various companies in the ownership chain are RLEs, any RLEs further up the chain will not be registrable in relation to the company – only the RLE directly above a company in the ownership chain will be registrable.

How would a company identify a PSC?
As far as companies are concerned, a PSC is an individual who meets one or more of the following conditions:

1. the individual holds, directly or indirectly, more than 25% of the shares in the company;
2. the individual holds, directly or indirectly, more than 25% of the voting rights in the company;
3. the individual holds the right, directly or indirectly, to appoint or remove a majority of the board of directors of the company;
4. the individual has the right to exercise, or actually exercises, significant influence or control over the company; or;
5. the individual actually exercises, or has the right to exercise, significant influence or control over the activities of a trust or firm that is not a legal entity which would itself meet one or more of Conditions (i) – (iv) (or would do so if it were an individual).

When considering whether an individual satisfies any of the above conditions, the company should look to its register of members, articles of association and constitution, together with all other information available to it. Interests held by individuals, legal entities and trusts or partnerships without legal personality should be considered (along with any joint rights/arrangements which are controlled by the same person).

If more than one condition is satisfied by the same individual (or indeed RLE), information about each satisfied condition should be recorded in the PSC register. Note that is not necessary, however, to consider whether the fourth condition is met if any of the first three conditions are satisfied.

Where should a company record its PSC information?
A company should maintain two PSC registers. It should maintain its own register and the central register at Companies House.

When should a company record and provide the PSC information?
A company should record the details of the PSC on its own PSC register within 14 days of becoming aware of the PSC information in question (or, indeed, any subsequent changes). The information should then be provided to Companies House within a further 14 days.

Specifically, the company should provide information such as the PSC's address, date of birth and the date on which he or she became a PSC in relation to the company. The company should also specify which of the PSC conditions have been met by the PSC in question.

Where there are no registrable PSCs or RLEs, this should be stated on the PSC register and at Companies House. Note that information about a PSC (but not an RLE) needs to be confirmed by the company in accordance with the PSC Regulations, before it is put on the PSC register.

In this respect, information can be treated as confirmed if: (i) the PSC supplied the company with the information; (ii) the information was provided to the company with the PSC's knowledge; (iii) the company has asked the PSC to confirm the information was correct, and they replied that it was so; or (iv) the company holds previously confirmed information (and has no reason to believe it has changed).

The same timescales would usually apply when updating your company's PSC information held at Companies House. However, due to the coronavirus pandemic, recent legislation has extended the deadline to notify Companies House of any PSC register updates to 42 days. This temporary provision will last until April 2021.

What is the penalty for failing to meet the requirements?
Failure to comply with your obligations under the PSC regime constitutes a criminal offence. Indeed, such failure could result in a fine or a prison sentence of up to two years or both for a company officer. It is therefore essential that you and your business are fully aware of, and up to speed with, your responsibilities under the PSC regime.

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. You can also be fined £1,000 if you don't display your Employer's Liability Insurance Certificate. 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.

GDPR Nearly Three Years On, 5 Things You Need to Know:

The General Data Protection Regulation (GDPR) came into effect on 25th May 2018. Although pertinent to the *Personally Identifiable Information* (*PII*) of citizens within the European Economic Area, its effect has reached around the world.

As many organisations grappled with updating their data security practices in line with tighter legislation, several questions remained unanswered. Does the GDPR have teeth? Will public bodies issue the hefty fines they were now able to? Well, the data is now in and we can look back on almost three years of the effects the GDPR has had on data privacy.

1. **£245.3 million in fines so far and rising.**

According to DLA Piper, as of January 2021 £245.3 million worth of fines have been imposed throughout Europe, and a total of 160,921 personal data breaches have been recorded. At first glance, it appears the fines issued are not as eye-watering as the GDPR allows for (up to €20/£17m or 4% global turnover.) It is important to remember however that there are two tiers of fines based on the type and severity of the infringement, and that Europe-wide it was made clear that only the most severe data breaches would be subject to the greatest fines, and this seems to be the case. The five largest fines under the GDPR totals €155.45m, so over half of the fines issued have been over those five GDPR breaches (Google, H&M, TIM Telecom, British Airways and Marriott Group).

2. **It's not all about data breaches.**

Of the top five highest fines under the GDPR, only two have been for breaches of personal data. The other three are for other reasons. The common denominator however is that it has been poor practice that has landed these organisations with large fines. What this highlights is the importance the regulators have placed on culture and processes of data protection overall and not just focus on mitigating a data breach.

3. **The regulators haven't had it all their own way.**

For those who followed the development of the British Airways data breach, you will recall that the ICO issued a notice to fine the airline £183m. After appeal and taking the impact of the pandemic into account, this was reduced to £20m. A similar pattern was seen with the Marriott group data breach, with the ICO initially intending to fine £100m but being reduced to £18.4m for the same reason as British Airways. When it comes to the larger fines, it appears that the regulators are still testing their powers to issue them. Both British Airways and

Marriott Group have faced financial hardship because of the pandemic, but this is not the case for all organisations.

4. **Businesses have not had it all their way either.**

Type 'British Airways Data Breach' into any search engine and you'll notice legal firms and class action suits against British Airways following the breach. Over 16,000 people have registered with one law firm. Based on similar lawsuits, it's estimated that this alone could cost BA an additional £800m in compensation. There are also group actions planned for Marriott, and following the €100m fine from French regulator CNIL for Google, group actions are also planned. The GDPR allows for private right of action for violations of the law, both for material and non-material damage. On top of regulators now being able to issue higher fines, consumers can now claim compensation too.

5. **The GDPR has teeth, and it's biting.**

This is most evident through the numbers and value of the fines being issued to organisations. Having said that, the regulators appear to be sticking to the narrative that only the most severe breaches will receive the largest fines. Regulators are taking external factors into account and adjusting accordingly, namely the pandemic, but only where applicable. What organisations cannot rely on are affected individuals being as forgiving. With group actions and the GDPR allowing individuals to make claims for their data being breached, there is a very real possibility that these will hit organisations harder than regulatory fines.
In 2021 and with the end of the pandemic on the horizon, now is the time for organisations to learn the lessons from others who have fallen foul of the GDPR to date. Focusing on data protection practices and making compliance a habit goes a long way in avoiding the full ramifications of a data breach.

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.

Off-Payroll Working and IR35: The New Rules:

IR35, or the Intermediaries Legislation (to give it its full title) has never really been fit for purpose or provided HMRC with much success, when challenged, or – more to the point – actual revenue. It is therefore not surprising that new rules are about to be introduced which place the onus firmly on the contracting company.

What is IR35?
The IR35 rules were originally introduced in 2000, in an attempt to counter the perceived employment tax avoidance which arose where contractors provided their services through an intermediary (often their Personal Service Company or PSC) where the contractor would otherwise have been treated as an employee had they contracted with the end client directly.

When the rules were first introduced, the responsibility lay with the PSC to determine the contractor's deemed employment status and account for any income tax and National Insurance contributions . No risk lay with the client. Suffice to say HMRC have had little success in the last 20 years or so in challenging these arrangements.

What's changed **about IR35 so far?**
In 2017 the rules changed and HMRC placed a greater burden on clients to determine the employment status of contractors. However, this change only applied in the public sector, where it became the client's responsibility to decide the employment status of their contractor. In the private sector, the responsibility remained with the PSC.

Obviously, it was not going to remain this way, and the same changes were planned for the private sector with effect from 6 April 2020. These were delayed for a year due to Covid-19, so will now become law from 6 April 2021.

What's changing from 6 April 2021?
From that date, all public sector agencies and all medium or large-sized private sector businesses will be responsible for deciding the contractor's employment status. Small private sector clients will not be responsible for determining the contractor's employment status, instead here the responsibility will fall to the PSC. If the off-payroll working rules apply, the contractor's fees will be subject to tax and National Insurance contributions and must be processed through the payroll.

How do I know if the IR35 rules apply to my business?
The rules currently will not apply to any business which is classed as small. You will be classed as small if the business meets two out of the three following tests:

- annual turnover of £10.2m or less
- balance sheet value of £5.1m or less
- 50 employees or fewer

If you do not meet two of these three tests you will be classed as a medium or large business and the new off-payroll working rules will apply to you.

Determining employment status of workers
The business will be required to determine whether, if they had contracted directly with the contractor, the contractor would be regarded as an employee of the business. Further, they will need to produce a 'status determination statement (SDS)' in respect of each contractor and the associated contractual engagement. This should summarise whether the contractor should be treated as a deemed employee or a self-employed contractor and the reasons for this conclusion. The contractor will be able to appeal the SDS if they do not agree with the conclusion.

The new rules place a greater burden on the business to account for the working status of their contractors. Each medium or large business will therefore need an in-house process and policy to ensure an SDS is completed correctly for each contractor. If the business does not fulfil its SDS obligations for each contractor, it will be liable to account to HMRC for any employment taxes associated with the contractor's services.

Reviewing the status of contractors
Public sector agencies should have been closely reviewing the status of their contractors since 2017, and whilst the new changes will result in an increased administrative burden in respect of the SDS preparation for each contractor, these entities should already have policies in place for determining the working status of their contractors.

However from 06 April 2021, all medium and large private sector businesses will now be required to undertake a review of the contractors they currently engage with and determine whether they have any deemed employees among their contractor workforce. They will also be required to introduce an internal policy and process for SDS preparation for each contractor, and to introduce an appeals system for contractors who wish to question determinations.

Are there any exceptions to the IR35 rules?
There is an exception to the new IR35 rules. If a contractor engages with the business through an agency or umbrella company which engages the contractor as its employee and their earnings are subject to tax and National Insurance, the business will not be required to meet the obligations under IR35. This is because such an agency or umbrella company is not treated as an intermediary under the rules.

One of the main challenges faced over the years since the introduction of the IR35 rules has been determining whether an individual should be treated as employed or self-employed. Guidance has been scarce, and many determinations have been made based on analysis of case law from which it is often difficult to draw consistent conclusions.

Using the CEST tool
HMRC introduced a 'check employment status for tax' (CEST) tool in 2017 to help employers and workers to determine how the work being done should be dealt with for tax assessments. The tool was updated in 2019, however the tool has been, and continues to be, severely criticised for taking an overly simplistic approach to a complex issue and erring heavily on the side of caution and in most cases concluding that there is deemed employment.

However, notwithstanding the feedback, HMRC will rely on CEST as their main tool for determining the employment status of a contractor, and therefore it is important that all relevant businesses take reasonable care in preparing the SDS where CEST has been used.

As a result of the complexity of the rules and the increased administrative burden which relevant businesses will be facing, it is expected that in the majority of cases a conservative approach to the question of deemed employment or self-employment will be taken. We are already seeing this in practice whereby most public sector and large business employers are insisting contractors are placed directly on their payroll for all assignments.

Business Rates - Update:

Business rates present ratepayers and ultimately the Chancellor with challenges both short term and systemic. Some, but not all, of those short term challenges were addressed in the 2021 budget.

The good news for hospitality, leisure and retail operators is that the 100% business rates holiday introduced last year is being extended to the end of June 2021. From July 2021 to the end of March 2022 there will be a 2/3rds discount for these sectors. This will be subject to a cap of £2 million per business for properties that were required to be closed on 5 January 2021, or £105,000 per business for other eligible properties. Those sectors can breathe a sigh of relief. Taken together with the recovery loan scheme , the continuation of reduced rates of VAT and the extension of the furlough scheme these measure provide some cheer.

The government will legislate to ensure that the business rates relief repayments that have been made by certain businesses are deductible for corporation tax and income tax purposes. This will ensure that these businesses are no worse off from a tax perspective than if they had paid the business rates in the first place. This will apply for repayments made to the devolved administrations as well as to those made in relation to England.

Property owners who have enjoyed no specific reliefs and whose ability to collect rents has been severely restricted since last March remain liable to pay rates on empty property that has been empty for more than 3 months. For some landlords, this has become almost intolerable.

The systemic challenges must await the solutions due to be proposed when the fundamental review of business rates by HM Treasury is published this autumn. In the meantime, the Valuation Office has to value all rateable units at 1 April 2021 so that the resulting valuations are effective from 1 April 2023.

The transitional relief, which means that those whose rateable values would have reduced on 1 April 2017 (when the last revaluation took place) compensated those whose rateable values would have gone up, remains a major problem. And the fundamental issue is that business rates are levied at over 50%; a level at which might have been bearable say at 30%, becomes a significant problem.

A considered and well-judged package of proposals is needed from HMT so that the Chancellor can continue to enjoy a tax that is easy to collect but so that ratepayers are not pressed unsustainably.

Entrepreneurs' Relief:

There were no changes to entrepreneurs' relief in the Budget. If you're selling a business, there are extra reliefs available which might mean you can pay less CGT when you sell or give away your company. This is called entrepreneurs' relief. For 2021-22 you'll be charged at 10% on the first £1m of gains, when selling a qualifying business, the same as the 2020-21 tax year.

Entrepreneurs' relief was slashed last April, so that instead of being charged 10% on the first £10m of gains, anything above £1m would be taxed at the usual 20%.

The allowance applies at an individual level, so £1m is the maximum you can claim per person, rather than for each business you sell. You can claim entrepreneurs' relief if: You are a sole trader or partner selling part or all of your business or its assets you control at least 5% of the company's net assets of which you are selling and are entitled to 5% of its distributable profits you sell assets from the above businesses within three years of closing down.

National Insurance Rates:

The HMRC have increased the NI thresholds for the 2021/22 tax year as follows:-

Class 1	£170.00 p.w
Class 2	£3.05 p.w.
Class 4	£9,568 p.a.

The chargeable rates are as follows:-

Class 1	12% for Employee 13.8% for Employer
Class 4	£9,569 - £50,270 at 9% £50,270 - Uncapped at 2%

Employment Allowance:

There are no changes to Employment Allowance for the 2021-22 tax year, which remains at £4,000. You can claim Employment Allowance if you are a business or charity and your employers' Class 1 NIC total in the preceding tax year was less than £100,000. Remember that class 1 NIC on payments to off-payroll workers do not count towards this threshold.

There are some exemptions to eligibility for employment allowance. If your business is part of a group, if you have more than one payroll, if de minimis state aid rules apply to you, your eligibility will be affected.

We have ensured that this benefit has been claimed by all our eligible 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.

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.

Limited Company Directors – Salary vs. Dividends in 2021/22:

One of the main benefits of working via a limited company is that you can take advantage of tax planning measures not available via other business structures (such as umbrella companies).

The main benefit of drawing down dividends from your company is that they are not subject to National Insurance deductions, unlike salaried income.

As a company director, as you are in control of your own finances; you can decide when to declare company dividends – you may want to postpone taking a certain amount of dividends until a future tax year, for example.

For a number of reasons we will explore below, most limited company professionals pay themselves a small salary and distribute the rest of their company profits as dividends.

Optimum Salary for Company Directors in 2021/22 – Key Considerations:
When deciding on the level of salary you pay yourself in the current tax year, you need to consider various factors, particularly the current income tax (personal allowance) and National Insurance thresholds.

- Take into account any salary already earned from a previous job (if applicable), when working out how much further salary you wish to draw down in the current tax year.
- The current tax-free personal allowance is £12,570, so if your salary is less than this amount, you will have no PAYE income tax to pay at all.
- The value of the personal allowance is gradually withdrawn by £1 for every £2 you earn above £100,000 each tax year. This means that your entire personal allowance will have been removed by the time you hit the £125,140 mark.
- Your company pays 13.8% Employers' NICs on salaries above the *Secondary Threshold* of £170/week (£8,840/year).
- The 'Employment Allowance' allows eligible businesses to reclaim up to £4,000 in Employers' NICs. However, company directors who receive small salaries will not benefit unless they earn £8,840 or more. You cannot claim the EA if you are a sole director, with no other employees.
- As a company employee, you pay 12% Employees' NICs on wages in excess of the *Primary Threshold* of £184/week (£9,568/year). You can check the latest NIC rates and thresholds here.
- Check with The Pension Service to see if your state pension will be affected by the level of NICs you pay, as if you pay yourself too low a

salary, you may affect your pension entitlement. You can access a personal pension statement if you register online via the Government Gateway.

- If you have a contract of employment with your company (however unlikely this may be), then you must pay yourself the National Minimum Wage @ £8.91 per hour for adults aged 23 or over.
- You should also check with your accountant if there is a minimum salary required if you make contributions to a personal or executive pension scheme.

This assumes that your contract work is not subject to the IR35 rules. Any income caught by IR35 must be taxed in the form of a deemed salary, rather than dividends.

What is a Tax-Efficient Directors' Salary in 2021/22?
As well as looking at the new NIC thresholds, the optimum salary paid to directors depends on whether your company can claim the Employment Allowance (EA) or not. This incentive refunds the NIC bills of eligible businesses to encourage them to take on staff.

The rules changed in April 2016, so if you're the sole director of a company (with no other employees), you cannot claim it. There are several other restrictions that limit the eligibility of many small companies.

a) £8,840
For the 2021/2 tax year, if you pay yourself an £8,840 salary, you will pay no income tax or National Insurance at all. This number is the *Secondary Threshold*, below which no Employers' NICs are payable.
£8,840 is a tax-efficient salary if you cannot claim the EA. No NIC or Income Tax payable.
This is likely to be the optimum salary level for sole director limited companies.

b) £12,570
If your company can claim the EA and pays a director/employee a salary of £12,570, there is no income tax to pay (as this is the same amount as the personal allowance).

Ordinarily, you would also have to pay Employees' and Employers' NICs of £360.24 and £514.74 respectively.

However, the Employers' NIC element is cancelled out by the Employment Allowance, so your only liability is £360.24 in employees' NICs.

Also, by taking a £12,570 salary, you save £708.70 in additional Corporation Tax you'd have to pay if you take an £8,840 salary.

So, £12,570 is the most tax-efficient salary to take for the 2021/22 tax year if you can claim the EA (you're better off by £348), although there is a little more admin involved.

Further Considerations
When working out dividend amounts, you must ensure that you have sufficient retained profit in your company, otherwise your dividend declaration could be classed as 'illegal'.

Benefits that Depend on NI Contributions:

Your entitlement to several National Insurance Benefits, as well as the amount you will receive, will depend on your NIC contributions (or in some cases your spouse or civil partner's).

Access to the following benefits depends on NI contributions:

- Contribution based Jobseeker's Allowance (Class 1 NICs only)
- Incapacity Benefit (if you can't work for long periods due to illness or injury)
- Contribution based Employment and Support Allowance (ESA)
- State Pension
- additional State Pension (Class 1 NICs only)
- Widowed Parents' Allowance
- Bereavement Allowance
- Bereavement Payment

2020/21 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).
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)

Reactive PAYE 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 means 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.

Increases to National Minimum Wage / Living Wage & Penalties:

The National Living Wage (NLW) and National Minimum Wage (NMW) rates will rise from April 2021, in accordance with the recommendations of the Low Pay Commission (LPC).

The NLW will increase by 2.2% from £8.72 to £8.91 per hour, and will be extended to 23 and 24 year olds for the first time.

From April 2021, the NLW will be the statutory minimum wage for workers aged 23 and over. It currently applies to workers aged 25 and over. The reduction in the NLW age threshold follows a review of the structure of the National Minimum Wage youth rates and recommendations made by the LPC in autumn 2019. The threshold will further reduce to 21 by 2024.

For workers aged under 23, the Commissioners recommended smaller increases in recognition of the risks to youth employment which the current economic situation poses.

The LPC's recommendations, accepted by the government, comprised:

Year	25 and over	21 to 24	18 to 20	Under 18	Apprentice
April 2020 (current rate)	£8.72	£8.20	£6.45	£4.55	£4.15
April 2021	£8.91	£8.36	£6.56	£4.62	£4.30

Given uncertainties over the long-term economic outlook, the LPC has not recommended any change to the Government's target of the NLW reaching two-thirds of median earnings by 2024.

The LPC's report sets out an indicative future path for the NLW; but the effects of furloughing on pay data limit its precision this year.

The LPC's recommendations were submitted to the Government before the announcement of further lockdown restrictions in England and the extension of the Coronavirus Job Retention Scheme (furlough).

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.

Important Payroll Changes:

Since 6 April 2019, employers have been required 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. The payslip must show the hours worked and relevant rates of pay.

The aim is to increase transparency between employers and employees.

Student Loans:

The Department of Education have announced the new student loan thresholds that will apply from 6th April 2021.

The repayment threshold for Student Loan Plan 1 will increase by 3% and the repayment threshold for Student Loan Plan 2 will increase by 2.7%.

The repayment threshold for the Postgraduate loans will remain the same.

For any loans before 2012, Plan 1 Loans will apply and for loans after 2012 Plan 2 Loans will apply.

Earnings above the thresholds for both Plan 1 and Plan 2 for 2021/22 will be calculated as normal at 9%. The rate of the postgraduate loan type introduced in the 2019/20 tax year will continue to be calculated at 6%.

Summary of the Student Plan thresholds:

- Plan 1 loans will increase from the current threshold of £19,390 to £19,895 in 2021/22.
- Plan 2 loans will increase from the current threshold of £26,575 to £27,295 in 2021/22.
- Postgraduate loans will not change and remain at the current threshold of £21,000.

A Student Loan Type 4 will come into effect from 6th April 2021 for students who have taken a loan out in Scotland. The First Minister has committed to the student loan repayment threshold which will rise to £25,000 in Scotland from April 2021.

Coronavirus Job Retention Scheme:

During the chancellor's budget speech on 3 March, it was announced that the Coronavirus Job Retention Scheme (CJRS) would be extended to 30 September 2021. This means that employers can continue to furlough employees (either fully or partly) and claim a furlough grant from the government for longer than originally planned.

The scheme rules will, in the main, remain the same. However, the following changes will be made in the coming months:

- From 1 May, the scheme will also open to employees who were employed as at 2 March 2021, that previous did not qualify to be furloughed. To qualify, the employee needs to have been included on the employers' payroll RTI submission between 20 March 2020 and 2 March 2021.
- The level of the grant available to employers under the scheme will remain unchanged until 30 June 2021, being 80% of the furloughed employees wages, up to a cap of £2,500 per month, for the hours not worked when an employee is either fully furloughed or flexibly furloughed.

- From 1 July, the furloughed employee must continue to receive 80% of their wages for the hours that they are furloughed, however, the amount that can be reclaimed from HMRC will be reducing to:

- 70%, up to a maximum of £2,187.50, from the government from 1 July, with the employer having to pay 10% of the furloughed wage bill, up to a maximum of £312.50
- 60%, up to a maximum of £1,875.00, from the government from 1 August, with the employer having to pay 20% of the furloughed wage bill, up to a maximum of £625.00

Guidance will be given shortly for how calculations should be made for claims periods starting on or after 1 May 2021.

Paying Your Children From the Business:

Employing Children

Employing Your Children and Going into Business with Them:

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. This will rule out most businesses from employing very young children, although there will be exceptions.

For the latest information on employing children, browse our small business tax guide:

The position for 13-year olds depends on local by-laws. Some areas allow them to do limited work, some allow them to do the same work as a 14-year-old and some do not allow them to work at all.

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.

How Much Can You Pay?

A salary paid to a child must be justified by the amount of work which they actually do in your business. If you employed your 15-year old daughter to answer your office phone one hour each evening, you could not justify paying her a salary of £30,000, but a salary of, say, £1,500 should be acceptable.

The national minimum wage applies to any employee aged 16 or more, with reduced rates for those aged under 21 or undergoing training.

Subject to this, however, there is no fixed rate of pay which applies to children. The rate paid must, however, be commercially justified – in other words, no more than you would pay to a non-family member with the same level of experience and ability in the job. For a child with no experience carrying out unskilled work, the national minimum wage represents a good guide. Where the child has some experience, or the role requires some skill, a higher rate will often be justified.

Assuming that a rate of £5 per hour can be justified, the maximum salaries which a child could earn would be approximately as follows:

- 13/14 year olds: £3,780
- 15+ but still school age: £4,380
- Over school age but under 18: £10,400

Freelance Children:
Adult children may sometimes have their own business. In fact, although unusual, it is also possible for younger children to set up their own business.

For example, let us suppose that your 16 year-old daughter is particularly good with computers. There is nothing to stop her setting up her own IT consultancy. You could then give her the contract for the maintenance of your office computers and pay her a normal commercial rate for the work.

For children under 16, there is no National Insurance on any form of income, so it will probably be simpler to employ them in any case.

Junior Partners:
Taking one of your children into partnership is a good way to reduce the overall tax burden on the family. This has important legal implications but using a Limited Liability Partnership ('LLP') is a good way to safeguard the family's private assets.

For adult children, the position is much the same as taking a spouse into partnership and, once again, has the advantage of reducing the overall National Insurance.

In theory, there is nothing to prevent a minor child from being taken into partnership, even though they do not yet have full legal capacity to contract in their own right.

For a partnership to exist there must be an agreement for the partners to carry on in business together with a view to profit. This agreement may be express or implied and need not be written (except for an LLP), although this is generally advisable. It must, however, be acted upon and it is here that HMRC will concentrate their attention and declare the partnership to be 'artificial' and thus null and void if this is not the case.

In other words, any child you take into partnership must genuinely participate in the business at a sufficient level to justify their status as a partner. Hence, you could perhaps take your 17 year-old son into partnership in your sweet shop, but you are unlikely to be able to take an eight year-old into partnership in your publishing business.

Loan Charge / Disguised Remuneration:

In December 2019, the government announced that it would make a package of changes to the loan charge, a measure designed to tackle a form of tax avoidance known as disguised remuneration.

The government made these changes in response to Sir Amyas Morse's independent review of the loan charge policy and its implementation.

The HMRC guidance sets out the key changes to the loan charge and what they mean for different customer groups. Legislation has been enacted to make these changes, and further guidance has been published.

The key changes to the loan charge are:

- the loan charge will apply only to outstanding loans made on, or after, 9 December 2010
- the loan charge will not apply to outstanding loans made in any tax years before 6 April 2016 where a reasonable disclosure of the use of the tax avoidance scheme was made to HMRC and HMRC did not take action (for example, opening an enquiry into an Income Tax return)
- the option for individuals to elect to spread the amount of their outstanding loan balance (as at 5 April 2019, recalculated in line with the above changes) evenly across 3 tax years: 2018 to 2019, 2019 to 2020 and

2020 to 2021 - the option was added to give greater flexibility on when the outstanding loan balance is subject to tax and may mean that the loan balance is not subject to higher rates of tax

- HMRC will refund certain voluntary payments (known as 'voluntary restitution') already made to prevent the loan charge arising and included in a settlement agreement reached since March 2016 (when the loan charge was announced) for any tax years where:
    - the loan charge no longer applies (loans made before 9 December 2010)
    - loans were made before 6 April 2016, and a reasonable disclosure of the use of the tax avoidance scheme use was made to HMRC and HMRC did not take action (for example, opening an enquiry into an Income Tax return)

The package also includes a number of changes that will give customers additional flexibility over the way they pay:

- if you do not have disposable assets and your income is less than £50,000 in the 2017 to 2018 tax year, HMRC will agree time to pay arrangements for a minimum of 5 years
- if your income is less than £30,000 in the 2017 to 2018 tax year, we'll agree a minimum of 7 years
- if your income is more than £50,000 in the 2017 to 2018 tax year, or you need longer to pay, you'll need to provide HMRC with detailed financial information
- there is no maximum time limit for a time to pay arrangement.
- in line with existing practice, if you need time to pay, you'll pay no more than 50% of your disposable income, unless you have a very high level of disposable income - the amount you pay into an arrangement each month will depend on your own individual circumstances

Holiday Entitlement:

All employees have a right to paid holiday (statutory annual leave) regardless of the contract type. This includes:

- Full-time
- Part-time
- And zero-hours contracts

The following piece will look at a range of employee entitlements relating to statutory leave. While this is the minimum, you can give an employee more than this. But it's at your discretion whether you choose to do so

How much paid holiday are full-time employees entitled to?
The annual statutory employee holiday entitlement in the UK is 5.6 weeks. This figure is the same for all employees hired in the UK.

So, how many days is statutory holiday entitlement? It works out to 28 days of minimum holiday entitlement for a full-time employee who works 5 days a week.

The 5.6 weeks' legal minimum holiday usually consists of:

- 20 days = 4 weeks
- + 8 days (which can be the year's bank holidays) = 1.6 weeks

Minimum statutory holiday entitlement can never be changed for UK employees by their employers, only through government legislation. Contractual ones can change but should never drop below the statutory minimum.

How is leave accrued?
The number of days will depend on the hours per week or days that you work, as well as any contractual agreement regarding annual leave.

An employee will build up ('accrue') holiday from the day they start working, including when they're on:

- Probation
- Sick leave
- Maternity, paternity, adoption or shared parental leave

UK statutory holiday entitlement law
The Working Time Regulations (1998) implements the EU's Working Time Directive with a few changes.

For example, although the EU's Working Time Directive allows for up to four weeks paid time off, the Working Time Regulations allow for 5.6 weeks of paid time off.

These regulations were in place to ensure the health and mental wellbeing of employees.

As part of the initiative, it's your responsibility to ensure staff take their minimum statutory leave.

How to calculate holiday entitlement pay
The holiday pay entitlement for employees is a week's pay for each week leaves they take. You can calculate a week's pay according to how many hours the employee works and how they're paid for the hours.

- Fixed pay for fixed hours (full-time and part-time workers), a week's holiday pay will be equal to how much they'd normally get for a week's work.
- Fixed hours worked over variable shifts (full-time and part-time workers), a week's holiday pay will be equal to the average number of weekly fixed hours worked in the previous 52 weeks at their average hourly rate.
- No fixed hours (zero-hour contract), a week's holiday pay is the average pay they got over the previous 52 weeks.

Statutory holiday entitlement for part-time workers
Your staff may ask, "How do I work out my holiday entitlement for part-time hours?" Working part-time still entitles employees to statutory leave.

This is in proportion to the hours the part-time employee works ('pro-rata'). You can work this out by the number of days they work a week x 5.6.

For example, if an employee works three days a week, their part-time holiday entitlement will be 16.8 days off a year (i.e. 3 days x 5.6).

Many people have contractual entitlements that are much better than the statutory minimum. The average GB full-time staff member gets 25 days of annual leave plus 8 bank holidays.

Are self-employed workers entitled to any days of holiday?
The only circumstance where an individual isn't entitled to paid annual leave is if they are self-employed.

Some employers might try to avoid paying for annual leave by suggesting that a member of staff is self-employed. Employees should check their contract to be certain of their employment status.

Bank holiday entitlement
As an employer, you have the option to include UK bank holidays as part of your statutory holiday entitlement. But this is not a requirement.

Most employers include bank holidays or public holidays as part of the annual UK holiday entitlement, although it’s not a legal requirement to do so.

If you close your business for the bank holiday, you have the option of deducting the bank holiday days from the total statutory holiday allowance for the year.

In this situation, you must inform your staff (usually in the holiday policy of the employment contract) that this rule applies to their holiday entitlement.

Giving holiday notice
Although your employees can apply for time off whenever they want, they should give appropriate notice.

The duration might differ, but generally, employees should apply for the time off with up to double the amount of time they’d like to take off.

For example, if an employee wants to take two days off work, they should apply four days before the time requested.

During busy periods, you can refuse or change holidays to suit the business. Staff members should be sure to refer to their employment contract as holiday and bank holiday rules will be set out by the company.

You must give notice which is at least the same length as the holiday. For example, if the holiday is for one week, you have to give notice one week in advance.

And you can also make employees take their leave at certain times, like Christmas or bank holidays.

Leave entitlement when starting a new job
If one of your employees starts a job part-way through the year, they’re still entitled to annual leave. It requires no minimum period of continuous service to qualify for holiday entitlement.

However, they’re only entitled to part of their total annual leave for the current leave year. What they get depends on how much of the year is left.
So, if the holiday year runs from January to December and someone starts in July, they'll only get half of the annual holiday entitlement for the remainder of the year.

Holiday entitlement disputes
A dispute may occur when an employee feels that you aren't meeting your obligations. For example, if your employee thinks that their right to leave and pay were not met. There are a few ways to handle these types of disputes.

The first step to resolving a dispute is for your employee to bring it up informally with their direct line manager. If you can't resolve this issue, the next step would be for them to submit a formal grievance complaint in writing.

The grievance procedure involves

- Receiving the grievance
- Holding a meeting
- Investigating the grievance
- Informing the employee of the outcome
- Giving the employee the opportunity to appeal.

Depending on the company, the procedures might differ, but they must all include a meeting with the employee and an appeal process if needed.

You can refer to the Acas holiday entitlement guideline for more help handling grievances at work.

Coronavirus and leave
Employees may be able carry forward leave to the next 2 years if they can't take it because their work is affected by coronavirus. It's the first four weeks of leave they carry can carry over, provided it was not 'reasonably practical' for them to take the leave due to the coronavirus.

They could do this if, for example:

- They need to provide cover for their co-workers and have no other opportunity to take a holiday in their leave year
- There will be staff shortages if too many workers take their leave before the end of the leave year
- They're classed as critical workers, such as healthcare or supermarket workers

Paid / Unpaid Leave:

For Expectant Fathers / Partners:

Since 2014 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.

Statutory Maternity Leave:

Eligible employees can take up to 52 weeks' maternity leave. The first 26 weeks is known as 'Ordinary Maternity Leave', the last 26 weeks as 'Additional Maternity Leave'.

The earliest that leave can be taken is 11 weeks before the expected week of childbirth, unless the baby is born early.

Employees must take at least 2 weeks after the birth (or 4 weeks if they're a factory worker).

Statutory Maternity Pay (SMP):

SMP for eligible employees can be paid for up to 39 weeks, usually as follows:

- the first 6 weeks: 90% of their average weekly earnings (AWE) before tax
- the remaining 33 weeks: £151.97 or 90% of their AWE (whichever is lower)

Tax and National Insurance must be deducted if appropriate.

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.

Changes to the Treatment of Termination Payments:

General description of the measure:
The part of a termination payment which is treated as being a payment in respect of the employee's notice period and subject to income tax and employee's and employer's National Insurance contributions is called 'the Post-Employment Notice Pay' (PENP).

This measure provides an alternative PENP calculation where an employee's pay period is defined in months, but their contractual notice period or post-employment notice period is not a whole number of months.

The measure also aligns the tax treatment of PENP for individuals who are non-resident in the year of termination of their UK employment with the treatment for all UK residents. Currently, PENP is not chargeable to UK tax if an employee is non-resident for the tax year in which their employment terminates.

The measure will ensure that non-residents are charged to tax and National Insurance contributions on PENP to the extent that they would have worked in the UK during their notice period. This change only affects individuals who physically performed the duties of their employment in the UK.

Policy objective
The proposed changes to the legislation are intended to remove unintended outcomes and bring fairness and clarity to the current legislation on termination payments, by making it clear that individuals will not receive less favourable tax treatment depending on their contract or residency.

The proposed changes will align the tax treatment of PENP for UK and non-UK resident employees. PENP from UK employment which is in respect of a notice period that would have been worked in the UK will be chargeable for all individuals regardless of where they are resident.

Background to the measure
Changes were made to the taxation of termination payments in Finance (No.2) Act 2017, with effect from April 2018. This included:

- the introduction of PENP to ensure that all contractual, customary and non-contractual payments in lieu of notice are considered and consistently subjected to tax and National Insurance contributions
- the removal of foreign service relief on termination payments to UK resident individuals (this measure did not apply to seafarers)

- clarification that the exemption for injury does not apply in cases of injured feelings
- alignment of the rules for income tax and National Insurance contributions so that employer's National Insurance contributions will be payable on qualifying termination payments above £30,000. This came into effect on 6 April 2020

Detailed proposal - Operative date:
The measure will have effect from 6 April 2021. It will apply to those individuals who have their employment terminated, and where the termination payment is received on or after 6 April 2021.

Since October 2019, HMRC has exercised the managerial discretion available under the Commissioners for Revenue and Customs Act 2005 to provide for an alternative calculation for PENP for use where it is advantageous to the employee. This will continue to apply until 6 April 2021.

Official Interest Rate:

The Official Interest Rate has been reduced from 6th April 2021 to 2% (20/21 2.25%). This rate is used to calculate a taxpayer's benefit-in-kind charge on beneficial loans, for example.

HMRC Highlights a Decade of Bizarre Excuses and Expense Claims:

Every year, HMRC receives some imaginative excuses and expense claims following the 31st January Self Assessment deadline.

They have now compiled 10 of the most weird and wonderful excuses we have received from customers who missed the deadline over the last 10 years.

The top 10 most bizarre excuses and questionable expenses claims for items, in reverse order, are:

- Expense for caravan rental for the Easter weekend
- I was up a mountain in Wales, and couldn't find a post box or get an internet signal
- my dog ate the post … again
- claiming £4.50 for sausage and chips meal expenses for 250 days
- my hamster ate my post
- I've been cruising round the world in my yacht, and only picking up post when I'm on dry land
- a music subscription so I can listen to music while I work
- pet food for a Shih Tzu 'guard dog'
- a DJ was too busy with a party lifestyle – spinning the deck….in a bowls club
- my mother-in-law is a witch and put a curse on me

All the excuses and expenses listed above were unsuccessful.

Revenue say "each year, we try to make it as easy and simple as possible for our customers to complete their tax returns and the majority make the effort to do theirs' right and on time. But we still come across some unusual excuses and expenses, which range from problems with a mother-in-law to yachts set on fire".

Revenue will always offer help to those who have a genuine excuse for not submitting their return on time.

Spotlight on Corporate Crime Laws:

Corporate criminal liability laws have come under fresh scrutiny as a Law Commission review began in November 2020.

Requested by Ministers, it is examining whether laws are sufficiently equipped to tackle economic crime. Is it also considering whether reforms are needed to better hold companies to account for criminal wrongdoing undertaken by them, or on their behalf.

It comes as a government response to a call for evidence into the issue published on (3 November 2020) revealed that further investigation was required before any decisions on reforms can be made. The responses showed strong feelings on a range of issues with no clear consensus on how to proceed, meaning this work would benefit from additional time and scrutiny.

The review will consider whether any new offences need to be created to make it easier for enforcement agencies to prosecute crimes such as fraud, money laundering and false accounting. The Law Commission is expected to present recommendations for reform next year.

Lord Chancellor and Secretary of State for Justice Robert Buckland QC said: Corporate economic crime undermines trust in business, distorts markets and damages people's livelihoods and futures.

Firms that aid and abet this behaviour should know that it will not go unpunished and I look forward to the Law Commission's recommendations on how we can strengthen this area of the law further.

The review was requested by the Ministry of Justice, HM Treasury, Home Office, Attorney General's Office, and the Department for Business, Energy and Industrial Strategy.

Disclosure of Tax Avoidance Schemes (DOTAS):

What are rules on Disclosure of tax avoidance schemes (DOTAS)? When should you disclose your use of a tax avoidance scheme? What are the consequences of non-disclosure? How are penalties calculated?

At a glance:
The DOTAS regime was originally designed to enable HMRC to keep up to date with what types of tax avoidance schemes are in circulation. By requesting the promoters make a disclosure, HMRC would be given the opportunity to review and, if necessary, amend legislation to block any scheme which the government considers aggressive and unfair.

Changes to regulations, from February 2016, have significantly broadened the DOTAS rules, which could conceivably capture more standard tax planning strategies:

- Under DOTAS a scheme promoter is required to disclose the main elements of the scheme to HMRC.
- Special rules apply where disclosure is not made by a promoter, in those cases a scheme user must make disclosure.
- HMRC will then issue the scheme with a DOTAS number.
- A scheme user will have to notify HMRC that it is using the scheme by inserting the number in its tax return.
- HMRC will monitor the scheme's use and if necessary legislate to terminate it.
- Financial penalties are levied on those who fail to comply with the regime.
- If an obligation to disclose exists, notification must be made within 5 days of the arrangements first being made available.

What's new?
The European Council has adopted new rules requiring tax advisors, accountants, and lawyers that design or promote tax planning schemes which could be potentially aggressive to report them. The EC Directive will apply from 1 July 2020. The rules are built around a set of hallmarks which determine whether a scheme should be reported.

Two new hallmarks were introduced from 23 February 2016: Employment income provided through third parties, and Financial Products.

What taxes fall into the DOTAS regime?
The regime covers the main taxes, these have been added in over a number of years, as follows:

- From 1 August 2006 it is necessary to consider whether an income tax, corporation tax, or capital gains tax scheme or product should be disclosed to HMRC under the DOTAS rules.
- From 1 August 2007 National Insurance schemes are disclosable.
- The rules are slightly different for SDLT schemes, and until 1 November 2012 disclosure was only required when the market value was £5 million (non-residential schemes) and £1 million (residential schemes). These de-minimus limits were removed in 2012.
- DOTAS does not apply to the devolved tax SDLT equivalents of LBTT in Scotland and LTT in Wales.
- There are separate rules which apply to VAT, these have been operative since 1 August 2004.
- From April 2011 some settlements will require disclosure where chargeable lifetime IHT is avoided. The usual hallmarks will not apply but "grandfathering provisions" will try to ensure that certain transfers will not require repeat notification.
- The Apprenticeship Levy is subject to the DOTAS regime from 21 December 2017.
- A new IHT hallmark is in place from 1 April 2018.

When does DOTAS apply?

The DOTAS rules are long and complex: we indicate here some of the highlights. A tax arrangement must be disclosed to HMRC when:

- It will, or might be expected to, enable any person to obtain a tax advantage, and
- That tax advantage is, or might be expected to be, the main benefit or one of the main benefits of the arrangement, and
- It is a tax arrangement that falls within any description ('hallmarks') prescribed in the relevant regulations.

Disclosure is generally required to be made by the scheme 'promoter'. A promoter is (in summary) someone who is a bank or securities house, or someone who in the course of providing tax services:

- Is to any extent responsible for the design of a tax scheme.
- Approaches others with a view to making a scheme available to them.
- Makes a scheme available for implementation to others.
- Organises or manages the implementation of a scheme.

The scheme user (client) will need to make the disclosure where:

- The promoter is based outside the UK.
- The promoter is a lawyer and legal privilege applies.
- There is no promoter (where a scheme is designed in-house).

A scheme introducer such as an IFA or professional firm, may also be asked to supply details of the scheme promoter as part of a pre-disclosure enquiry by HMRC.

Bullying & Harassment in the Workplace Employers' Responsibilities:

As an employer, you may have written grievance and disciplinary procedures and these can be used when dealing with cases of bullying and harassment in the workplace. There should, however, be a clear and accessible bullying and harassment policy to best deal with these issues in a prompt, sensitive and consistent manner, which will leave you less vulnerable to claims.

Harassment relates to a protected characteristic under the Equality Act 2010 and so to avoid a claim under that Act, employers must not discriminate or foster a discriminatory environment in any way. Instead, active steps should be taken to try to prevent harassment and bullying in the workplace.

Employers have a legal duty of care for their employees. So, if the implied term of mutual trust and confidence in their employment contract is breached by bullying and harassment at work, an employee with two or more years of service could resign and claim constructive dismissal.

Breach of contract may also include the failure to protect an employee's health and safety at work. Under the Health and Safety at Work Act 1974 you are responsible for the health, safety, and welfare of all employees at work and must ensure that you provide a safe working environment. This includes employees being treated fairly and with dignity and respect at work.

Harassment and bullying can cause employee stress which can reduce productivity and may increase labour turnover, sickness absence, and under-performance. This can lead to resignations of good staff and employment tribunal claims, and so aside from an employer's legal obligations, there is a moral and commercial incentive to try to prevent and effectively deal with harassment and bullying.

Harassment vs Bullying: what's the legal difference?

Harassment is 'unwanted conduct related to a relevant protected characteristic, which has the purpose or effect of violating an individual's dignity or creating an intimidating, hostile, degrading, humiliating or offensive environment for that individual'.

The protected characteristics are:

- age
- disability
- gender reassignment
- race
- religion or belief
- sex
- sexual orientation
- marriage or civil partnership
- pregnancy and maternity

If an employee can prove harassment based on a protected characteristic, they are able to bring a discrimination claim under the Equality Act with potentially uncapped compensation being awarded by the employment tribunal.

Bullying tends to be repeated, unreasonable and unwelcome behaviour directed towards an employee or group of employees which is not linked to a protected characteristic and that creates a risk to health and safety.

Bullying does not fall under the Equality Act and a discrimination claim is not an option. Bullying is related more to providing a safe workplace for employees. There is not a stand-alone claim for bullying which can be brought in an employment tribunal. Employees are more likely to struggle to make a successful claim in respect of bullying than harassment, as they would need to demonstrate a breach of contract or evidence a claim that health and safety legislation has been breached by the employer.

What claims can be brought against employers?

Employers are liable for their own actions if they are committing harassment directly, but they are also vicariously liable for their employees under the Equality Act. Any harassment caused by an employee is treated as if it has been done by the employer, whether the harassment is done with the employer's knowledge or approval.

There is a defence available to employers under the Equality Act, if the employer can show that it took 'all reasonable steps' to prevent the employee from doing the discriminatory act or from doing anything of that description. The liability of employers does not extend to criminal liability, apart from offences relating to disabled persons and transport. The employee has three months from the date of the complained act (or last complained act if part of a series of linked events) to bring a claim for harassment in an employment tribunal.

In terms of employee discrimination by third parties such as visitors or customers, it used to be that employers were liable for harassment if they failed to take such steps as would have been reasonably practicable to prevent it and knew that the employee had been harassed in the course of their employment on at least two other occasions by a third party (whether or not the third party was the same person on each occasion).

However, now the position is that an employer will only be liable in limited and exceptional circumstances where an employee is harassed by a third party. It is only if the employee can show that the protected characteristic was the reason for the employer's failure to protect them against the harassment by the third party. It is the grounds for the employer's action or inaction, not the third party's harassment, which will determine whether an employer is liable.

This may be an area of imminent change as the government is consulting on whether new third-party harassment provisions should be introduced and, if so, when an employer should become liable. Once an employer is aware of harassment caused by a third party it should take reasonable and proportionate actions to deal with this.

Breach of contract claims will be brought directly against the employer in the case of alleged breach of health and safety or breach of trust and confidence. The employee will have up to five years from the breach of contract to bring a claim.

Behaviour which amounts to harassment or bullying.

As detailed above, the behaviours for harassment and bullying may be similar, but the root of them is different. Bullying tends to stem from an insecurity, whereas harassment is linked to a protected characteristic that an individual has. Behaviour which is likely to amount to harassment and bullying are:

- Spreading malicious rumours or insulting someone by word or behaviour.
- Making offensive or intimidating comments or jokes.
- Copying memos critical about someone to others who do not need to know.
- Ridiculing or demeaning someone – picking on them or setting them up to fail.
- Exclusion or 'freezing out' or victimisation.
- Unfair treatment.
- Overbearing supervision or micromanagement or other misuse of power or position.
- Creating unreasonable or impossible deadlines or tasks.
- Unwelcome sexual advances – touching, standing too close, display or the sending of offensive / pornographic materials, making sexual jokes asking for sexual favours, making decisions on the basis of sexual advances being accepted or rejected.
- Making threats or comments about job security without foundation.
- Deliberately undermining a competent worker by overloading and constant criticism.
- Preventing individuals progressing by intentionally blocking promotion, salary increases or training opportunities.

Bullying and harassment might be face to face, in writing, in visual images (for example pictures of a sexual nature or embarrassing photographs), automatic supervision methods (for example, computer recording of downtime from work, or recording of telephone conversations if all workers are not treated in the same way).

What is sexual harassment?

If the harassment is of a sexual nature and fits the rest of the definition above for harassment, this is sexual harassment and can also lead to a claim under the Equality Act. Something can amount to sexual harassment even if the perpetrator did not have intent that it would be harassment, and the behaviour does not have to be directed at a specific person. Sexual harassment may be a one-off incident or an ongoing series of incidents and can be written or verbal comments of a sexual nature (for example remarks about an employee's appearance, questions about their sex life or offensive jokes), displaying or messaging pornographic or explicit images or text, unwanted physical contact, and sexual assault. Sexual assault and other physical threats are criminal as well as employment matters and should also be brought to the attention of the police.

How to deal with bullying or harassment in the workplace:
Whenever a complaint about bullying or harassment is made, this must be promptly and thoroughly investigated. The investigation must be objective and independent and must appear to be so. Employers should consider the process and all the facts and circumstances carefully before coming to a decision. If what has happened could be reasonably considered to have caused offence, it is likely that you will find in the employee's favour.

It may be that a colleague is unaware that their behaviour is unwelcome, and the matter can be dealt with informally and the behaviour will immediately cease. If this is the case and the complainant employee is comfortable that this settles matters, that is the end of the matter. HR, a manager, an employee representative, or a counsellor could assist with this informal approach. Counselling can be particularly useful where investigation shows no cause for disciplinary action, or there is doubt on how valid the complaint is. Counselling may resolve the issue or help support the person accused and/or the complainant.

Mediation can sometimes help resolve disciplinary or grievance issues. Mediation is a voluntary process where the mediator helps both parties find a solution to an outstanding dispute, that they can both agree to. This will only work if both parties are both seeking to resolve the issues and repair the working relationship. Mediation can be a good way of dealing with bullying, discrimination, or harassment situations, but this will be dependent upon the nature of the allegations. Discrimination or bullying actions can range from unintentional misunderstandings and lack of awareness through to deliberate and malicious acts. In some cases, the individual and/or the organisation may view the allegations to be sufficiently serious that investigation and possible disciplinary action is the only route.

If the bullying or harassment cannot be dealt with informally or this would be inappropriate due to the nature of the harassment or bullying, this should be dealt with by the company's disciplinary procedure. This procedure should follow the ACAS Code of practice on Disciplinary and Grievance Procedures (ACAS Code) and any company policy drafted to ensure fairness for the complainant and accused.

Dealing with complaints and investigations:
Complaints of bullying and harassment can usually be dealt with using clear grievance and disciplinary procedures which comply with the ACAS Code. Once a formal grievance has been raised in writing by the employee, the disciplinary procedure against the accused should begin without unreasonable delay. Any complaint of bullying or harassment must lead to a prompt and thorough investigation. Even if a victim of bullying does not wish to make a complaint, this

may still be investigated in the interests of health and safety of the business and avoiding recurrence. The exception to this might be if an employer has evidence that a complaint has been made maliciously or in bad faith. In that instance an employer may even discipline the complainant but would need to have clear evidence of bad faith to do this.

Procedures followed to deal with bullying and harassment should inform the accused employee of the problem, allow them sufficient time to prepare their case. A meeting should be held to discuss the problem where both the person making the complaint and the accused has the right to be accompanied by a fellow employee or trade union representative of their choice. Following a fair hearing, a written response should be provided within a reasonable time and appropriate action should be taken. The employee should also be offered an opportunity to appeal. Confidentiality must also be provided for, throughout the process.

If serious misconduct is complained of, there may be reason to separate the complainant and accused employees and so a short period of suspension of the accused (usually on full pay unless the employment contract states otherwise) may need to be considered while the case is being investigated.

If an informal conversation, mediation, counselling, or training is deemed insufficient to resolve the issue another penalty will be required to deal with the instance of bullying/harassment complained of. Following a formal hearing, other penalties might include written warnings, suspension or transfer of the bully/harasser or even dismissal if the employee has previous unexpired written warnings or if the employee's behaviour amounts to gross misconduct.

All the circumstances will need to be considered carefully before penalties are handed down, such as:

- The employee's previous disciplinary and general record.
- Whether the procedure points to the likely penalty.
- What action has been taken in previous similar cases, if any.
- Explanations and circumstances in the particular case and whether the penalty is reasonable.

The more extreme the penalty the more liability the employer will face if it gets it wrong and so penalties should be carefully considered before they are issued. An incorrect finding of gross misconduct could lead to a possible unfair dismissal and wrongful dismissal claim.

Whilst all complaints of bullying and harassment should be dealt with sensitively and have provisions for confidentiality to protect both the complainant and accused, where the allegation relates to sexual harassment this should be taken very seriously. This type of allegation is often particularly emotional and distressing for the employees involved (complainant and accused) and so it is critical that reporting is confidential and as clear as possible. The process should allow plenty of time to discuss the matter in a private space and possibly with a friend or family member to accompany, not just a colleague or trade union representative, as would usually be permitted in internal formal meetings.

Additional support is likely to be required in this type of case, for the complainant and accused, whether with HR, external counsellors or even through the police if the matter is criminal. As a bare minimum, as with other complaints of bullying or harassment, the company's disciplinary procedure and ACAS Code must be complied with.

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.

Checking a job applicant's right to work:

You must check that a job applicant is allowed to work for you in the UK before you employ them.

You can either:

- check the applicant's original documents
- check the applicant's right to work online, if they've given you their share code

You could face a civil penalty if you employ an illegal worker and have not carried out a correct right to work check.

You must not discriminate against anyone because of where they're from.

Employing EU, EEA and Swiss citizens:
How you check EU, EEA or Swiss citizens' right to work in the UK has not changed, even though the UK has left the EU. They can still use their passport or National Identity Card until 30 June 2021.

After 30 June 2021, the new immigration rules for recruiting people from outside the UK will apply. You will not need to make retrospective checks for existing employees.

You'll also need a sponsor licence to employ EEA and Swiss citizens coming to the UK to work from 1 January 2021.

Checking the applicant's original documents:
Because of coronavirus (COVID-19) there are temporary changes to the way you can check documents. Read guidance about the adjusted process, including asking for documents digitally, making checks on a video call, and what to do if someone cannot provide any accepted documents.

1. Ask to see the applicant's original documents.
2. Check that the documents are valid with the applicant present.
3. Make and keep copies of the documents and record the date you made the check.

What to check:
You need to check that:

- the documents are genuine, original and unchanged and belong to the person who has given them to you
- the dates for the applicant's right to work in the UK have not expired
- photos are the same across all documents and look like the applicant
- dates of birth are the same across all documents
- the applicant has permission to do the type of work you're offering (including any limit on the number of hours they can work)
- for students you see evidence of their study and vacation times
- if 2 documents give different names, the applicant has supporting documents showing why they're different, such as a marriage certificate or divorce decree

Read the guidance on how to carry out right to work checks and what documents you can accept.

Follow-up checks:
If your employee's right to work is time-limited, you'll need to check their documents again when it's due to expire.

Taking a copy of the documents:
When you copy the documents:

- make a copy that cannot be changed, for example a photocopy
- make sure the copy is clear enough to read
- for passports, copy any page with the expiry date and applicant's details (for example nationality, date of birth and photograph) including endorsements, for example a work visa
- for biometric residence permits and residence cards (biometric format), copy both sides
- for all other documents you must make a complete copy

- keep copies during the applicant's employment and for 2 years after they stop working for you
- record the date the check was made

Make sure you follow data protection law.

If the job applicant cannot show their documents:
You must ask the Home Office to check your employee or potential employee's immigration employment status if one of the following applies:

- you're reasonably satisfied that they cannot show you their documents because of an outstanding appeal, administrative review or application with the Home Office
- they have an Application Registration Card
- they have a Certificate of Application that is less than 6 months old
- they're a Commonwealth citizen who's been living in the UK since before 1988

Application registration cards and certificates of application must state that the work the employer is offering is permitted. Many of these documents do not allow the person to work.

The Home Office will send you a 'Positive Verification Notice' to confirm that the applicant has the right to work. You must keep this document.

Employment Contracts:

An employer must give employees and workers a document stating the main conditions of employment when they start work. This is known as a 'written statement of employment particulars'. It is not an employment contract.

The written statement is made up of:

- the main document (known as a 'principal statement')
- a wider written statement

The employer must provide the principal statement on the first day of employment and the wider written statement within 2 months of the start of employment.

Employers must tell employees or workers about any changes to the written statement. They must do this within one month of making the change.

The Principal Statement:
This must include at least:

- the employer's name
- the employee's or worker's name, job title or a description of work and start date
- how much and how often an employee or worker will get paid
- hours and days of work and if and how they may vary (also if employees or workers will have to work Sundays, nights or overtime)
- holiday entitlement (and if that includes public holidays)
- where an employee or worker will be working and whether they might have to relocate
- if an employee or worker works in different places, where these will be and what the employer's address is
- how long a job is expected to last (and what the end date is if it's a fixed-term contract)
- how long any probation period is and what its conditions are
- any other benefits (for example, childcare vouchers and lunch)
- obligatory training, whether or not this is paid for by the employer

For employees, it must also include the date that a previous job started if it counts towards a period of continuous employment.

Working Abroad:
If an employee or worker has to work outside the UK for more than a month, the principal statement must also include:

- how long they'll be abroad

- what currency they'll be paid in
- what additional pay or benefits they'll get
- terms relating to their return to the UK

Other information the employer must give on day one:
On the first day of employment the employer must also provide the employee or worker with information about:

- sick pay and procedures
- other paid leave (for example, maternity leave and paternity leave)
- notice periods

The employer can choose whether to include this information in the principal statement or provide it in a separate document. If they provide it in a separate document, this must be something that the employee or worker has reasonable access to, such as on the employer's intranet.

The wider written statement:
Employers must give employees and workers a wider written statement within 2 months of the start of employment, and this must include information about:

- pensions and pension schemes
- collective agreements
- any other right to non-compulsory training provided by the employer
- disciplinary and grievance procedures

Employee Benefits:

Introduction:
Employee benefits offer a way to attract and keep people, contribute towards improving wellbeing and encourage required behaviours, achievements, values and skills. However, there are several factors to consider when introducing a benefit to make sure it's valued by workers while also supporting people management practices and aligning it with wider business goals.

What are Employee Benefits?
Employee benefits are non-cash provisions within the reward package, although they can have a financial cost for employers, for example paid holidays, pensions or company cars.

They may be offered for business reasons, for example motivating employees to achieve organisational objectives, and/or 'moral' reasons based on a desire to care for employees' wellbeing (and, in so doing, potentially enhance employee engagement). The prevailing financial, legal and social background also plays a role in the development and shaping of benefit policies and practices.

The COVID-19 pandemic has increased internal and external pressure on employers to review the adequacy of their healthcare and risk benefits, such as occupational sick pay, as well as their overall financial and mental support for their staff, such as for those who have had to shield at home. A 2020 Reward management survey found that while many employers have responded to these pressures, the changes are likely to be temporary.

Types of Benefits:

Pensions:
These are widespread due to legal requirements. One of the more costly parts of the benefits package, workplace pensions are often at the centre of major internal or external change.

Holidays and time off:
Employers are required by law to offer certain levels of paid annual holiday, although our Reward management surveys find that many offer more than the minimum.

There are also statutory entitlements to other types of time off work including maternity, paternity, adoption, parental and bereavement leave. As with holidays, many employers often provide more generous time off arrangements than required by law.

These benefits may be provided to ensure both the welfare and productivity of employees. Our Reward management surveys find that the common types of benefits include:

- Occupational sick pay.
- Employee assistance plans.
- Death in service/life assurance.
- Eye care vouchers.
- Gym (on-site, subsidised or discounted membership).

Some benefits are given to all (such as occupational sick pay), while others (private medical insurance for instance) are dependent on factors such as grade, occupation or location.

Group risk insurance policies, including group life assurance, group income protection and group critical illness, transfer some of the risk to a third party.
Company cars and car allowances

Many organisations provide a company car, either because the employee's job needs it (for example, a sales rep) or to recognise the job's status (for example, director). Such vehicles are taxed according to their CO_2 emissions. Some employers prefer to pay a cash allowance to help employees with the purchase of cars or compensate them via mileage allowances for using their own vehicles, rather than supply a company car.

Other benefits:
Employers may offer a diverse range of other employee benefits including: unlimited holiday, concierge services, free or subsidised staff canteens, and a nap room. See more on the variety of staff benefits on offer in our Reward management surveys.

Taxation & Salary Sacrifice Provisions:
Certain employee benefits attract preferential tax treatment, often in line with government policy to encourage or support certain choices (as, for example, with pensions, or cycle-to-work schemes whose attractiveness has been boosted by the COVID-19 pandemic).

Under salary sacrifice arrangements, an employee gives up part of their pre-tax salary and in return the employer agrees to provide a benefit. For instance, under a pension salary sacrifice scheme the employee gives up part of their gross pay while, in return, the employer makes an equivalent contribution to the pension. This means that the employee saves on income tax and both the employer and employee save on national insurance contributions. The employer might use the NICs savings to help run the scheme or to top up the employee's pension.

However, organisations should consider the implications of salary sacrifice arrangements for employees in respect of provisions such as working tax credits/universal credit or the national minimum wage.

The tax position on employee benefits and salary sacrifice may change. For up-to-date information, see the HMRC website.

Company Car Tax Rates 2020/21 to 2022/23:

Company car benefit-in-kind tax rates for the three years 2020/21 to 2022/23 have been announced by the Government.

The announcement, which sees company car benefit-in-kind tax rates for zero emission cars in 2020/21 cut to 0% from the previously announced 2% but all other already published rates remaining unchanged for cars registered before April 6, 2020, sees reduced rates for cars first registered from April 6, 2020.

The twin-track approach will remain in place for the two financial years 2020/21 and 2021/22 before company car benefit-in-kind tax rates realign in 2022/23 (see tables below).

Figures for 2023/24 and beyond have not been published and, said the Government, "remained under review". It said it would "aim to announce appropriate percentages at least two years ahead of implementation to provide certainty for employers, employees and fleet operators". Therefore, it can be anticipated that 2023/24 company car benefit-in-kind tax rates will most likely be announced in the Budget in November 2020.

In announcing the new rates, the Government said it "recognised the value of the company car market in supporting the transition to zero emission technology. This is reflected in a higher proportion of company cars with zero emissions - compared to private registrations - and the high proportion of these that are subsequently supplied to the second-hand market after three-four years".

The Government added: "By providing clarity of future appropriate percentages, businesses will have the ability to make more informed decisions about how they make the transition to zero emission fleets."

The announcement follows a Government review of both company car benefit-in-kind tax and Vehicle Excise Duty in the wake of last year's introduction of the Worldwide harmonised Light vehicles Test Procedure (WLTP). The new vehicle emissions and fuel economy testing regime replaced the long-established New European Driving Cycle (NEDC) test.

In the 2017 autumn Budget, the Government announced that cars registered from April 2020 would be taxed according to WLTP carbon dioxide (CO2) emission figures.

Previously published motor manufacturer emission figures highlighted that WLTP values would be higher than NEDC values. As a result the review was ordered by ministers.
Review respondents provided data showing increases in CO2 values ranging from 7% to 40% as a consequence of testing under WLTP rules. On average, WLTP results were about 20%-25% higher than NEDC figures with cars with smaller engines, and lower emissions, impacted the most and diesel cars slightly more than petrol models.

The Government said that "significant evidence was not provided" during its review to "suggest that WLTP would cause individuals to opt-out of company cars". Industry organisations had lobbied for the recalibration of company car benefit-in-kind tax rates to be neutral - the Government is to maintain existing Vehicle Excise Duty rates on introduction of WLTP-based taxation from April 2020 (see below).

In the review document, the independent Office for Budget Responsibility calculated that company car tax receipts would increase by £100 million in 2020-21, rising to £400 million in 2023/24.

The key company car benefit-in-kind tax decisions announced by the Government are that:

- To accelerate the shift to zero emission cars, all zero emission models will be 0% rated in 2020/21, 1% in 2021/22 before returning to the planned 2% rate in 2022/23
- For all other cars first registered before April 6, 2020 rates for 2021/22 and 2022/23 will be frozen at previously announced 2020/21 levels

- For cars first registered from April 6, 2020, most company car tax rates will be reduced by two percentage points in 2020/21 compared to those registered before April 6, 2020 before returning to planned rates over the following two years - increasing by one percentage point in 2021/22 and a further one percentage point in 2022/23.

In announcing the changes the Government said it "recognised that WLTP represented a significant change to the vehicle tax system and was aiming to support the automotive tax sector - and protect consumers - during the transition".

The Government response continued: "Due to the range of WLTP impacts on CO2 emissions, this approach means some conventionally fuelled cars will be liable to pay an equal amount of company car tax as today, whilst others will pay more, and a smaller number of models could pay less."

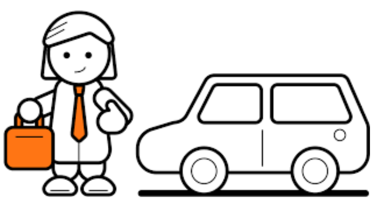
Legislation to implement the changes relating to cars registered from April 6, 2020 will be included in the 2019/2020 Finance Bill slated to be start its path through Parliament on Thursday, July 11.

Vehicle Excise Duty rates from April 2020
The Government has announced that existing Vehicle Excise Duty rates will be maintained on introduction of WLTP from April 2020.

Later this year it will publish a call for evidence seeking views on moving towards a more dynamic approach to Vehicle Excise Duty which recognises smaller differences in CO2 emissions.

Justifying future changes to the current Vehicle Excise Duty regime the Government said that WLTP testing resulted in "many more unique CO2 values, mainly due to model-specific testing".

As a result, the current Vehicle Excise Duty system was likely to result in "differences between models not being fully recognised in the Vehicle Excise Duty rates paid". Consequently, it said: "This could exacerbate the current 'cliff-edges' between Vehicle Excise Duty bands."



Electric Charge Points Allowance:

Businesses of all sizes can claim 100% FYAs (first year allowance) on capital expenditure on the provision of plant or machinery for an electric vehicle charging point.

For the purpose of this FYA:

- 'Electric vehicle' means a road vehicle that can be propelled by electric power, whether or not it can also be propelled by another kind of power;
- 'Electric vehicle charging point' means a facility for charging electric vehicles;
- 'Expenditure on plant or machinery for an electric vehicle charging point' means expenditure on plant or machinery installed solely for the purpose of charging electric vehicles.

Eligible expenditure may include capital expenditure on:

- The charging point itself;
- Alteration of land for the purpose only of installing the FYA qualifying plant or machinery;
- Plant or machinery installed for the sole purpose of providing the charging point with the necessary supply of electricity.

The plant or machinery must be new, unused and not second-hand.

In order to qualify, expenditure must be incurred between 23 November 2016 and

- 31 March 2023 for Corporation Tax purposes;
- 5 April 2023 for Income Tax purposes.

The general FYA exclusions apply.

Expenditure that does not qualify for the FYA (for example, because it was incurred partly for purposes beyond the facility for charging electric vehicles) may still qualify for other Plant & Machinery Allowances.

Van Benefit Charge:

The Government has confirmed that the van benefit charge and fuel benefit charges for cars and vans will be uprated by the Consumer Price Index (CPI), from 6 April 2021.

The uprate means that:

- The Van Benefit Charge will uprate from £3,490 to £3,500
- The Car Fuel Benefit Charge multiplier will uprate from £24,500 to £24,600
- The Van Fuel Benefit Charge will uprate from £666 to £669

Mileage Rates:

This continues to be a 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 2021/22 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

Incentive Payments for Hiring a New Apprentice:

Revenue have increased incentive payments for hiring a new Apprentice:
Employers will receive £3,000 for new apprentices of any age who join their organisation from 1 April 2021 to 30 September 2021.

The incentive payment is in addition to the £1,000 employers already receive for hiring an apprentice:

- aged 16 to 18 years old
- under 25 with an education, health and care plan or who has been in the care of their local authority

Apprentices who joined your organisation before 1 April 2021:
For new apprentices who joined your organisation between 1 August 2020 and 31 March 2021 aged:

- 16 to 24, employers will receive £2,000
- 25 and over, employers will receive £1,500

You must apply for these apprentices before 31 May 2021.

Apprentices who joined your organisation from 1 April 2021:
Employers will receive £3,000 for new apprentices of any age who join their organisation from 1 April 2021 to 30 September 2021.

You can apply for incentive payments for these apprentices from 1 June 2021 to 30 November 2021.

What you can use the payment for:
The payment is different to apprenticeship levy funds, so you can spend it on anything to support your organisation's costs. For example, on uniforms, your apprentice's travel or their salary. You do not have to pay it back.

Eligibility:
You can only apply for new apprentices who joined your organisation between 1 August 2020 and 30 September 2021.

You cannot apply for an existing employee who joined your organisation before 1 August 2020, even if they started an apprenticeship after this date.

How to apply:
You can apply for the incentive payment after you add new apprentices to your apprenticeship service account.

You must set up an apprenticeship service account to apply.

When you'll get paid:

HMRC cannot make any payments until they've received and verified your organisation and finance details. This could take up to 3 months and they may contact someone from your organisation.

Revenue will make the payment in 2 equal instalments for each apprentice. The first payment is sent after an apprentice completes 90 days of their apprenticeship and the second is sent after 365 days.

HMRC will make payments by Bacs on the 14th working day of the month. It usually takes 3 working days to process.

After you apply, you can view applications, estimated payment dates and check the status of each payment in your apprenticeship service account.

Auto Enrolment:

The Department for Work and Pensions and The Pension Regulator have confirmed the thresholds applicable for pay reference periods commencing from 6th April 2021. There is no change to the Lower level of qualifying earnings (£6,240) or the earnings trigger (£10,000) but the upper level for qualifying earnings increases to £50,270.

There is no increase in minimum pension rates which remain at 3% for employers and 5% for employees on qualifying earnings. You may though have set your own more favourable terms.

Triennial Re-enrolment:

Every three years, you'll need to re-enrol workers who are eligible for automatic enrolment but aren't in a qualifying scheme.

The Pensions Regulator (TPR) sometimes refers to this as 'automatic re-enrolment' or 'cyclical re-enrolment'. It's also known as 'three-year re-enrolment'.

This includes workers who've previously:

- stopped making contributions, or
- opted out, without having since opted back in.

The exceptions to three-year re-enrolment duties are:

- You don't have to include any workers who've done either of these things within the 12 months prior to your re-enrolment date, although you can include them if you want to.
- There's also no legal requirement to re-enrol workers who:
  - have given in their notice to end their employment with you
  - have been given notice of dismissal by you or
  - you know they have protection from the lifetime allowance.
  -

Notifications from the Pension Regulator should never be overlooked.

Late Payments:

Being paid late and not knowing when payments are going to come in is one of the most challenging and frustrating issues affecting small businesses and self-employed people.

When just you're starting out, it's easy to be so keen to make a good impression and want to build lasting business relationships that you let late payments slide, but over time this adds up and affects your bottom line.

A report has been commissioned showing that on average small businesses in the UK are owed on average £6,142, mostly by larger firms not paying them for goods and services on time.

If this is happening to you, you're not alone – because this problem is so prevalent amongst small and medium businesses, there are laws in place to protect companies, and there are actions that you can take to claim payments and discourage it from happening again.

Agree a set payment date:
It is good practice to ensure that you always agree both payment terms *and* dates before starting work, preferably in a contract signed by both parties.

Under UK law, payments for goods and services provided to the public sector must be made within 30 days, and all payments for goods and services provided to the commercial sector must be made within 60 days.

However, even if you forgot to agree a payment date when you first made the deal, you are still protected.

The government considers payments to be late 30 days after either the customer receives the invoice; or 30 days after the company has delivered the goods or provided the service to its client.

What to do if a payment is late
The first thing to do if a payment is late is to send your customer another invoice. The idea is to prompt and remind the client to pay, and after 30 days has passed, you are legally allowed to charge statutory interest on top of the original invoiced amount.

The government defines statutory interest as being 8% plus the Bank of England (BoE) base rate for business-to-business transactions. But please note that if you have already listed a different interest rate in an existing contract, you will not be able to change that and charge the statutory interest rate instead.

On the day you decide to send out the second invoice, you need to calculate the accrued interest.

On top of charging statutory interest, you are also permitted to charge the customer a set sum for the cost of recovering the late payment, but this is dependent on the value of the debt, and you can only charge this set sum once.

How to start a debt recovery claim
If the client still doesn't pay the owed amount, you can then take action. The good news is that small businesses don't need to get a lawyer at this point.

Under UK law, anyone who is owed money can make a statutory demand for the amount owing, but the demand must be made when the debt is less than six years old, and it must be served in person.

Once the debtor receives a statutory demand for money, they must either pay the amount within 21 days, or make an agreement with you about how they will pay.

Next steps

If they still refuse to pay, then you have two options:

- If the amount owed is less than £750, then you can apply to bankrupt or "wind up" the debtor's company, but this has to be done within 4 months of the debtor receiving the statutory demand.
- If the amount owed is more than £5,000, then you can submit a bankruptcy petition to the court

At this point, it would be wise to allow a third party to handle the issue for you, such as a solicitor, third party mediation service or other advisory service.

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 2020-21, you would need to keep your records until 31 January 2023.

If you are in business – which includes rental income:
Five years from the 31 January following the end of the tax year. For 2020-21, you would need to keep your business and other tax records until 31 January 2027.

A company subject to Corporation Tax:
Six years from the end of an accounting period. For the year ending 31 January 2021 you would need to keep records until 31 January 2028.

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 2020-21 this would be until 5 April 2024.

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!

aat
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