WBV CHARTERED ACCOUNTANTS & BUSINESS ADVISERS

Summary Year End Checklist

Your summary checklist of details within the enclosed factsheets includes:-

- Maximise use of the personal allowances.
- As a couple are you making the best use of the tax bands.
- Maximise use of Capital Gains Tax Annual Allowance.
- Ensure Inheritance Tax Annual Exemption is used where applicable.
- Consider payments of dividends prior to tax year end.
- Ensure £2,000 dividend band is utilised where applicable.
- In business, have you timed capital expenditure appropriately to obtain maximum relief.
- Ensure that ISA annual allowance maximised.
- Pension contributions discussed with your Financial Adviser to maximise tax relief.
- Discuss possible EIS / VCT Investments with your financial adviser.
- Review tax credit claims.
- Consider income of both parents with respect to child benefit claims.
- Consider income of spouses (or family income) for effective use of tax bands and allowances.
- Establish a pattern of gifts out of income for Inheritance tax purposes.
- Ensure Wills are up to date and life assurance policies are written in trust.
- Consider Incorporation or Disincorporation.
- Consider BREXIT effects on yourself or your business.

The above are points that you may wish to consider and further information can be found in our factsheets. Please contact us to discuss any points of interest. We also suggest within the factsheets that you should contact your financial adviser / solicitor on various aspects. If you do not have a financial adviser / solicitor and would like us to make an introduction, then please let us know.

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Services include:

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Business & Strategic Development
Corporate Finance
Estate & Trust Planning
Forensic & Litigation Support
IT Systems & Development
Outsourcing
Taxation & Wealth Management

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Personal Tax and Tax Saving For The Family

Personal Allowances and Tax Brackets

Details of the personal allowances and tax bands for 2020/21 and 2021/22 tax years:

	2020/21	2021/22
Personal Allowance	£12,500	£12,570
Transferable Marriage Allowance	£1,250	£1,257
Blind Persons Allowance	£2,500	£2,520
Basic Rate Tax Band	£37,500	£37,700
Higher Rate Tax Band	£37,501 - £150,000	£37,701 - £150,000
Additional Rate Band	£150,001 +	£150,001 +

We have not been advised of any changes to these by the Welsh Government

- Personal allowance is abated where income exceeds £100,000. If this is likely please contact us to discuss aspects such as pension contributions, charitable donations to assist etc.

- The marriage allowance transfer is only applicable if income of either spouse does NOT extend into the higher tax bracket. Married couples eligible for the marriage allowance who have not claimed should submit a claim for a rebate. You can get a rebate going back to 2016. However, after April 2021, any previously unclaimed allowance outside of the five-year window will be lost forever.

Income in the basic rate band is assessed at 20%, in the higher rate band at 40% and in the additional rate band at 45%. (Different rates apply to dividend income see details below.)

If you believe the annual earnings from a business are to exceed £150,000, you may wish to discuss the possibilities of incorporating with us.

Payment of pension contributions, charitable donations etc. can also assist where income levels are close to that which abates the child benefit (£50,000) or to restrict liability to higher rate tax.

Different tax rates apply in Scotland. From April 2019 the Welsh Assembly has the right to vary tax rates to date this has not been done.

Personal Savings Allowance

Interest has been paid gross since April 2016 tax is no longer deducted at source to offset any tax due.

A further allowance for Savings Income is provided. This is £1,000 for basic rate taxpayers but reduces to £500 for higher rate taxpayers. There is no allowance for additional rate taxpayers.

Where all other income is less than £17,500 you may benefit from a starting rate at 0% on savings up to £5,000. This is abated by £1 for every £1 of other income over the personal allowance.

Taxation of Dividends

Dividends no longer include the deemed tax credit that met the tax liability within the basic rate tax band.

A “dividend allowance” now applies. The first £2,000 of dividends are assessed at 0% in 2020/21 with the balance assessed at the dividend rate, 7.5% basic rate, 32.5% higher rate and 38.1% additional rate.

Whilst the payment of a dividend in excess of £2,000 gives rise to a tax liability this can still be more favourable than the tax and national insurance due on a salary.

If you would like to consider your remuneration options, then please contact us to discuss.

State Pension

Should you consider deferring the receipt of your state pension to a later tax year? If you are still working and paying tax at higher rates you may wish to consider the deferment of your state pension to a later year when you may be paying tax at lower rates.

Pension Contributions

Under current legislation, the maximum you can contribute and obtain tax relief on in a year cannot exceed your net relevant earnings.

In addition, there is an annual pension allowance of £40,000 for 2020/21. Contributions in excess will trigger a tax charge subject to any brought forward available allowance. This allowance is restricted where the adjusted income exceeds £240,000 and the threshold income exceeds £200,000. Whilst these levels have increased the sum the allowance has been abated to is now £4,000 when this was previously £10,000.

You may wish to review the pension contributions and maximise relief prior to 5th April 2021. Please discuss this with your financial adviser.

However, if you have flexibly accessed your pension pot you will have triggered the Money Purchase Annual Allowance (MPAA) which reduces this maximum. This reduced allowance is £4,000 for 2020/21. If you have triggered the MPAA and made contributions of less than £4,000, then it may be appropriate to consider making contributions up to £4,000 before 6th April 2021. This again should be discussed with your pension adviser.

If you have triggered the MPAA and are making regular contributions that exceed £4,000, this needs to be discussed with your financial / pension adviser.

If you are considering pension contributions, please discuss this with your financial adviser. You may wish to consider this before the end of the tax year on 5th April.

It is possible to make contributions into pension policies for children subject to a sum of £2,800 paid net for children without any earnings. The gross credit in the pension pot being £3,600.

Family Income

Annual review of income in the family is recommended. This should consider the use of personal allowances, basic rate bands, the effect of exceeding £50,000 where child benefit is claimed, net relevant earnings for pension contributions, the abatement of the personal allowance at £100,000 and income assessable at the additional rate tax.

There is scope for planning to minimise the tax liability of the family.

Another aspect of family tax planning is children, who have their own annual personal tax allowance and tax band thresholds. Does your child assist you at weekends or holidays in your business and do they receive a salary for their work? It may be possible to remunerate your child for the work performed provided that the remuneration is appropriate to the work performed, at a similar level to that paid to someone else carrying out similar duties and that those duties carried out are legal in respect of each respective minor.

Children's Savings Accounts

Any transfer of money from a parent to a minor child will, if the interest or income arising thereon exceeds £100 per annum, be assessable on the parent.

Ensure where accounts are opened for minor children, you have a separate account for birthday monies and gifts from friends and family than the one into which a parent contributes.

Interest arising on an account of birthday monies etc. is that of the child.

Interest on all accounts consisting of any money from a parent, if exceeding £100, are assessable on the parent.

Years of Marriage / Divorce

Both can give rise to planning issues on asset transfers which are no gain no loss transfers in the year of divorce and market value after that. Both can also affect principal private residence elections and the marriage allowance transfer.

If this is relevant please contact us to discuss.

Tax Free Savings

ISA accounts still have an annual savings limit of £20,000. The Junior ISA allowance for 2020/21 is £9,000.

NS&I will now allow people other than parents and grandparents to gift premium bonds to a child. In addition to this, the minimum investment for premium bonds is now £25, the maximum investment is £50,000

If income is at a level that tax is due at higher rates then investments in capital growth as opposed to income growth funds may be preferential. Consideration of the inheritance tax position is also needed in this case.

Further tax free savings options should be discussed with your financial adviser.

Rental Income

There have previously been legislative changes with respect to expenses that are allowable deductions against rental income.

For 2020/21 relief on loan interest is now fully restricted to basic rate only. This has been phased in since April 2017. If you are liable at higher rates and wish to consider the incorporation of your rental property business then please contact us to discuss.

The relief for “Rent a Room”, the letting of a room in your own home is £7,500.

Landlords of all Welsh properties should be registered with RentSmartWales. If this has not yet been dealt with you should note that this is now a legal requirement.

All non-resident landlords of a UK rental property must be registered with HM Revenue & Customs Non-Resident Landlord Scheme.

Child Benefits Tax Charge

If you or your partner has income in excess of £50,000 and you still receive child benefit a charge will arise being the repayment of all or part of the child benefit.

Please contact us to discuss possible income equalisation, to keep both incomes below £50,000 by changing profit sharing ratios, ownership of land & property, utilising losses, farmers averaging, pension and gift aid contributions.

Trusts

<u>Trusts for school fees for grandchildren</u>: any investment income or gains are all charged within the trust providing the settlor can no longer benefit. Such income is charged at trust rates.

The funds are not treated as part of the estate of the settlor after seven years.

Income distributions to grandchildren (minors) normally generate a tax refund.

If trusts are of interest then please contact us to discuss.

Tax Credits

Are you entitled to claim tax credits but have not made the relevant claims? Tax credits available include Children’s Tax Credit, Working Tax Credit, Pension Credit or Universal Credit. If you think you may be entitled to claim and have not submitted a claim then please contact us to discuss.

If you are making a claim and are in receipt of tax credits then it is very important that you inform the tax credit office annually of your income and advise immediately of any changes in your personal circumstances.

Charity Gifting

Gifts to charity can provide you with relief to tax at the higher rates. Ensure such gifts are “Gift Aided” and are included on your tax return. Ensure the gift is made by the higher earner.

If your annual tax is insufficient to fully settle the tax on the donation you will be liable for the balance, non-taxpayers or low taxpayers should give careful consideration to this.

Previously tax credits on dividend income and bank interest could have offset the gift aid donation, remember you no longer have these credits.

Final Thoughts:

Ensure that personal allowances are utilised and not wasted.

Where income of one spouse just exceeds £50,000 or £100,000 or £150,000 consider whether anything can be done to fully utilise allowances and tax bands of a lower earning spouse.

Speak to your financial adviser to utilise tax free investments and maximise pension contributions. If you do not have a financial adviser we are happy to recommend some in the area.

If you would like to discuss any of the above then please contact us.

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Business Tax Planning

Becoming Self Employed

When becoming self-employed / starting up a new business as a sole trader or in partnership you are required to register with HM Revenue & Customs within three months of commencement. Failure to register within this time limit will result in a £100 penalty.

Losses

Has your business incurred a loss? Has this loss been claimed in the most tax efficient manner? Has National Insurance Relief as well as Tax Relief been claimed?

For accounting periods ending between 1 April 2020 to 31 March 2022 the government has temporarily extended the carry back rules for trading losses from one year to a period of three years. This will help businesses to utilise losses due to the pandemic by claiming against tax paid in previous years.

Incorporation

Income tax rates are currently 20%, 40% & 45%, whilst the budget has announced an increase in the rate to 25% from April 2023 for companies with larger profits it is still important to consider whether or not to incorporate. If you are happy to gradually withdraw income from the company in the form of salary, dividends and if appropriate interest, then this is an option to consider.

It is possible to control distribution between different shareholders by varying classes of share capital. Please contact us to discuss and to consider whether this is appropriate for you.

Company Using Premises Owned Personally

It is possible to consider the payment of rent from the company to you, which would be an effective extraction of funds without any National Insurance consequences. However, such an arrangement may affect any future possible Entrepreneur's Relief Claims on disposal of the property.

Extraction of Funds

Are funds being extracted in the most tax efficient manner for you? Consider salary, dividends, and where appropriate interest on credit balances on director accounts. If you would like the position reviewed, then please contact us.

Capital Allowances

Investing in plant and machinery gives the company / business the opportunity to claim capital allowances thus reducing taxable profits.

Timing of the purchase of larger capital items can be important especially with the 100% Annual Investment Allowance (AIA) increased to £1 million until 1 January 2022. The number of associated companies can affect the amount of expenditure which can benefit from AIA. The 2021 budget further announced a super capital allowance deduction for new plant and machinery purchased from 1 April 2021 which runs for two years.

Enhanced capital allowances may also be available where capital expenditure has been incurred on cleaning up land acquired in a contaminated state. Allowances up to 150% may be available through the land remediation relief.

Items not qualifying above will receive the writing down allowance at 18% and 6% for integral features/long life assets. Capital allowances on motor cars depends on CO_2 emissions.

A capital allowance claim must be made within 2 years of purchase or the allowance may be lost. The clock may be ticking on this election if it applies to you.

Capital Allowances and Buildings

Consideration of the position should be given on the acquisition or disposal of commercial premises. Such properties will inevitably include capital assets eligible for allowances e.g. heating systems, air conditioning, lifts etc. Due to legislative changes these allowances can be lost to the purchaser if relevant steps and elections are not taken at the point of purchase. If you are considering buying or selling a commercial property, please let us know so we can assist you with the process.

If you are constructing or renovating a structure for use in your trade you may be eligible to claim the structure and buildings allowance, which from 1 April 2020 has risen to a rate of 3%. Please contact us for more information.

Research and Development (R&D) relief

R&D relief is broadly available to companies that work on innovative projects in relation to their trade that result in an advancement in science and technology. The relief is very generous and is generally under claimed by most companies. At present small & medium enterprises may be able to claim 230% of the costs incurred on qualifying projects. Please contact us for more information.

CIS

There is mandatory online filing of all monthly CIS returns.

Auto Enrolment –Re Enrolment

The 3 year requirement on re-enrolment is active and in place for some. If you require our assistance / advice with the re-enrolment or the associate declaration of compliance to the pension regulator then please let us know.

BREXIT !

We have now left the EU. New legislation now applies for those doing business with or travelling in the EU.

If this is likely to affect you then please consider the information provided at :

https://www.gov.uk/transition

Other Items to Consider

- Employers are legally required to offer and contribute to a workplace pension scheme.

  Have you dealt with the requirements of Auto Enrolment?

  Has the company maximised contributions into pension policies on behalf of directors?

  Has your business paid contributions into pension polices on behalf of employees?

- Can your business benefit through the use of employee benefit trusts?

- There are tax reliefs for groups of companies. These include reliefs for transfers of assets within a group, and for certain types of re-organisation. Is this beneficial to you?

Please contact us to discuss if this will affect you.

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VAT

VAT Thresholds

VAT Registration	More than £85,000
De-registration Threshold	Less than £83,000

VAT Accounting Scheme Thresholds

	To Join	To Leave
Flat Rate Scheme	£150,000 or less	More than £230,000
Cash Accounting Scheme	£1.35 million or less	More than £1.6 million
Annual Accounting Scheme	£1.35 million or less	More than £1.6 million

BREXIT

If your business involves transaction outside of the UK and is affected by UK leaving the EU please contact us to discuss any VAT queries

VAT changes in 2021

Domestic Reverse Charge for building and construction services (DRC)

Who is likely to be affected

Businesses involved in buying and selling construction services. It does not apply to zero-rated supplies of construction services.

General description of the measure

The measure will introduce a VAT Reverse charge on certain building and construction services. The reverse charge will apply to supplies of specified services on or after 1st March 2021.

The measure will, for certain construction services (‘specified services’), mean that the customer will be liable to account to HM Revenue & Customs for the VAT in respect of those purchases rather than the supplier (the ‘reverse charge’). The reverse charge will apply through the supply chain where payments are required to be reported through the Construction Industry Scheme (CIS) up to the point where the customer receiving the supply is no longer a business that makes supplies of specified services – these are referred to as ‘end users’.

Covid 19 5% Reduced rating on hospitality

The temporary 5% reduced rating on certain supplies within the hospitality sector was meant to run until 31st March 2021. During the budget announcement, the date was extended to 30th September 2021. From 1st October 2021, the rate will then be 12.5% and this will run until 31st March 2022. The supplies to which the temporary reduced rates will apply remain the same.

If you would like to discuss any of the above then please contact us.

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Employment Issues

Benefits in Kind

Employees are annually surprised by tax and national insurance payable on their benefits in kind. Benefits are assessable on employees of sole traders / partnerships in addition to companies.

Cars

The taxation of company cars is dependent on the CO_2 emissions and fuel type, the lower the emissions the lower the benefit. Provision of fuel for private travel attracts a fuel benefit charge in addition to car benefit. Reduced rates applied via a two-tier system for cars registered after 6th April 2020 however the reduction in most cases is not substantial only 2%.

Company car benefit – the appropriate percentage (480: Appendix 2) - GOV.UK (www.gov.uk)

These rates apply to petrol and RDE2 compliant diesel cars, a 4% diesel car tax supplement applies to non-RDE2 compliant diesels, the vast majority of current diesel models.

If you have a company car consider replacing it with your own vehicle. If you are considering changing your company car, consider a model with lower emissions or green cars to save tax.

Is the car fuel benefit the best option for you or would you be better off reimbursing the cost of the fuel for private mileage? To avoid the fuel benefit, charge a mileage log should be kept with the employee reimbursing private mileage. Please remember that home to work commuting is private mileage.

If the employer still pays for the private fuel used in your company car you can effectively avoid the car fuel benefit charge if you repay your employer for the private fuel **IN FULL** before the end of the tax year. It may be worth crunching the numbers as the tax on the benefit in kind is expensive and the private fuel refund may be less.

Vans

Benefits arise on vans provided where there is private usage (other than that incidental to business use). If there is no private use, then there is no benefit in kind charge. The Flat Rate van benefit for 2020/21 is £3,490.

Double cab vehicles however have always caused issues over the classification as a van or a car. The court case, Coca Cola vs. HMRC has seen the decision of the first-tier tribunal being upheld by the both the Upper Tribunal and the Court of Appeal. The case concluded that two Volkswagen Kombi vehicles were to be classed as cars due to being "multi purpose vehicles" whilst a Vauxhall Vivaro was deemed to be a van. The details of the court case can be found at:
https://assets.publishing.service.gov.uk/media/5c94fd1bed915d07a80a347b/CocaCola_As_Released.pdf

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If you have employees using such vehicles and taking these home, then the position needs consideration as car benefit may be in point depending on the vehicle.

Provision of fuel for private travel attracts a fuel benefit charge in addition to the van benefit. The flat rate fuel benefit for vans in 2020/21 is £666.

The charge for zero emission vans is to be reduced to nil from 2021/22.

Other Benefits

You should also remember when providing benefits in kind that, where you are meeting a fiduciary liability of the employee, e.g. paying the home telephone, when the contract for the provision of the service is between the employee and the telephone company and not between the employer and the telephone company, then this attracts class 1 as opposed to class 1A national insurance and such benefits need to be included in the monthly payroll for national insurance purposes only.

If you have any employees who are interested in cycling to work you may wish to consider the Cycle to Work Scheme.

HM Revenue & Customs now allow for the "Payrolling of Benefits in Kind", this will involve adding the cash value of the benefit into the payroll and deducting tax and the appropriate NIC thereon. These benefits do not then need to be included within the forms P11D.

We would remind you that dispensations previously granted by HM Revenue & Customs are no longer relevant. The Dispensation legislation on benefits in kind has been abolished.

Salary Sacrifice

Since April 2017 there has been a change in the taxation of salary sacrifice arrangements. If this affects you then please contact us to discuss.

These changes do not apply to arrangements for Childcare Vouchers (commenced pre-October 2018), Ultra Low Emission Vehicles, Pension Contributions, retraining courses, annual leave purchases and Cycle to Work Schemes etc.

Benefit Dispensations

It should be noted that these are no longer valid. Genuine business expenses incurred wholly, exclusively and necessarily in the course of the duties of the director/employee no longer need to be reported but any other expenses do. If you are unsure, please contact us.

National Insurance Contributions

Annual calculations of national insurance payable now form part of the personal tax return. Please note that the payment of class 2 and class 1 national insurance contributions maintain qualifying years for state benefit and pension purposes.

We recommend that your contribution record for pension purposes is reviewed from time to time to ensure that you have sufficient qualifying years to obtain the full pension and other state benefits.

Your state pension forecast can also be checked via your personal tax account at**:**

https://www.gov.uk/personal-tax-account

Alternatively complete and submit a pension forecast to the pension agency or online at :

https://www.thepensionservice.gov.uk/statepensionforecast/

If there is any shortfall this can be dealt with via the payment of voluntary contributions, if required.

We recommend that you obtain a full state pension forecast even where you believe you have the full qualifying years as periods where you were "contracted out" can affect the pension that you will receive.

Payment of PAYE

PAYE payments should be made on time to avoid penalties, which will not be issued until after the end of the tax year. Default penalties of 1, 2, 3 or 4% of PAYE owing can be incurred depending on the number of defaults in the year.

Annual Employment Allowance

Have you obtained the benefit of the annual employment allowance? If you are unsure and need advice then please let us know.

Auto Enrolment –Re Enrolment

The 3 year requirement on re-enrolment is now active and in place for some. If you require our assistance / advice with the re-enrolment or the associate declaration of compliance to the pension regulator then please let us know.

Overlooked Allowances

Whilst generally small in value ensure that where possible you are claiming allowances you are entitled to e.g. laundry allowances with uniforms, use of home as office, professional subscriptions paid personally, difference in mileage reimbursed and the FPCS rates.

The use of home as office expenses can be claimed by all those who worked at home during the COVID restrictions.

Details of allowable flat rate expenses can be found on the HM Revenue & Customs website.

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General Planning

Student Loans

If you are within two years of paying off your student loan it is possible to request payment by direct debit for the remainder of the period. This prevents overpayment when payments are linked with your salary or earnings during these last two years. Whilst overpayments are refundable there is a time delay in obtaining the refund.

To arrange the direct debit payments for the last two years you will need to contact the Student Loan Company directly.

Undeclared Income

You may be aware of HM Revenue & Customs initiatives to encourage the voluntary declaration of previously undeclared taxable income. We have already had the initiatives based on Offshore Declaration, Health Plan Schemes, Plumbers Tax Safe Scheme etc. the latter two being aimed at specific professions.

At present the initiatives are aimed at the voluntary declaration of undeclared rental income and on worldwide income. Within these disclosure declarations it is possible to declare in general other sources of undeclared income. The campaigns are aimed at income in the UK and overseas. If the taxpayer, as a result of the campaign, comes forward voluntarily with details of the undeclared income the penalties will be more favourable than those that will be applied if HM Revenue & Customs approach you concerning undeclared income.

Statutory Residence Test (SRT)

This came into effect in April 2013. It is no longer possible to guarantee that you are non-resident purely by ensuring that visits to the UK do not exceed 90 days per annum on a rolling average 4 year basis.

If you are deemed UK resident you are taxable on your worldwide income and for some this can have a significant impact.

If you are non-resident and sell a UK Property you are required to report the gain and pay tax thereon within 30 days. If appropriate please contact us to discuss.

Full details are available on the HM Revenue & Customs website or please contact us to discuss.

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Pensions Life Time Allowance

The lifetime allowance for most people is £1,073,100 in the tax year 2020/21, this has decreased from earlier years but increased from last year.

The position on the value of your pension funds should be discussed with your financial adviser. If this is exceeded you will be liable to the lifetime allowance charge.

Annual Allowance Pension Charge

Where annual contributions have exceeded the annual pension allowance a charge can apply. It is possible to elect for this charge to be met by the pension fund and where the pension fund is nearing the lifetime allowance this may be beneficial. However, this does result in a decrease to the pension fund, this therefore should be discussed with your financial adviser before any election is made.

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Capital Gains Tax

In General

Everyone has an annual exemption; this allows you to incur chargeable gains up to the value of £12,300 (£6,150 for trusts) in the 2020/21 tax year and not pay tax. With this exemption it is a case of "use it or lose it" it cannot be carried forward or transferred.

Any capital losses incurred in the tax year will reduce the gains of the same tax year prior to the use of the annual exemption. Any unused capital losses brought forward from previous tax years will only reduce chargeable gains after the full value of the annual exemption for the year has been utilised.

Consider which year assets are sold in to maximise loss relief. Please contact us to discuss.

Transfers between spouses do not give rise to chargeable gains or losses. You can consider transferring personal assets solely owned into joint names or, into the spouse name only if you have already made a sale in the year using your annual exemption and your spouse has not. This must be done prior to any actions that are taken for the sale or advertising the sale of the asset. This transfer would shelter £24,600 of any chargeable gain on the asset from tax on the assumption that no other chargeable gains have been incurred in the tax year by either spouse. If a gain has been incurred in the tax year fully using the annual exemption, try deferring any further disposals until after 5th April.

Delaying a sale until just after the 5th April could delay the tax due by 12 months unless the sale involves property.

Please note if the asset in consideration is a business asset in your hands then the transfer to your spouse or into joint names needs to be carefully considered due to the availability of Entrepreneur's Relief. Such a transfer in these circumstances would not always be beneficial and we recommend you contact us prior to taking any action.

Transfers of assets to children are not exempt from capital gains tax like inter-spouse transfers. Transfers of assets to children are connected party transactions and the market value of the asset will be used in order to calculate any gain. If you are considering transferring chargeable assets to your children or other relatives and have not made any other disposals in the year then it is worth considering a transfer to use your annual exemption prior to the 5th April.

Sales of UK Property

These changes have now been in place since from April 2020:

PPR Relief - Where a property has been a Principal Private Residence (PPR) and is no longer occupied as such the deemed final period of ownership qualifying for relief reduced to 9 months from the previous 18 months.

Letting Relief on PPR Properties - In addition post 6th April 2020 to qualify for the letting relief (only applies to properties that also qualify for PPR relief) you must be occupying the property as your PPR at the same time as letting the property.

Property Sales With effect from April 2020 any sales of UK residential property by a UK resident individual giving rise to a chargeable capital gain need to be reported within 30 days of the sale and any capital gains tax paid at the same time. Penalties are incurred for late reporting.

This also applies to Non-Residents but for Non-Residents this also extends to the sale of commercial as well as residential property.

Capital Gains Tax, Entrepreneur's Relief and Other Reliefs

The rate of capital gains tax is 10% for basic rate tax payers and 20% for higher rate tax payers, with the exception of the disposal of residential property. Residential property gains will be charged at 18% and 28% respectively after any reliefs available are claimed.

If the disposal is a qualifying business disposal it may qualify for Entrepreneur's Relief which has a rate of 10% on qualifying gains up to £10 million (lifetime limit). You should consider carefully as to whether your disposal will qualify for Entrepreneur's Relief, if you need advice with respect to this, please let us know. If your qualifying gains are likely to exceed this, please discuss the position with us for planning to be considered.

Other reliefs to consider include, Principal Private Residence Relief, Letting Relief on a qualifying home, (both referred to above) Hold Over Relief and Gift Relief.

If you currently hold an asset at a modest gain but expect a larger gain to arise at some future date that you wish to shelter now is the time to act. Please contact us to discuss the position and possible options.

Bed and Breakfast of Assets

It has been a long established principal to "bed and breakfast" shares to crystallise a loss or gain on an asset. i.e. sell one day and buy back the next. Legislation changes on matching meant that if the shares were purchased back within 30 days this no longer worked.

However one spouse could sell their shares to crystallise the position and the shares could then be bought by the other spouse.

Entrepreneur's Relief (ER)

Legislation introduced in the 2019 Autumn budget changed the qualifying conditions.

To qualify for ER certain conditions must be met during a 'holding period' ending on the date of disposal of the relevant shares. Originally the requirement was to own 5% of share capital and 5% voting rights for a year prior to the sale. Two changes were announced at that Budget that impact this. From 29th October 2018 two additional conditions must be met in order for some shares to qualify for ER; and from 6th April 2019 the 'holding period' increased from one to two years.

From 29th October 2018, in addition to the '5% requirements' set out above shareholdings must also confer an entitlement to at least 5% of the profits available for distribution to equity holders and 5% of the assets available to equity holders on a winding-up. This does not apply to shares acquired in EMI Options.

Non-Residents

As stated above currently the disposal of UK Residential Property by non-residents must be notified to HM Revenue & Customs within 30 days of the disposal. Failure to report will result in penalties. With effect from April 2019 this requirement is to be extended to include non-residential property sales in the UK by Non-Residents.

Deferral of Capital Gains Tax

If a gain has arisen in the year but you wish to defer the payment of capital gains you may wish to consider an investment of the proceeds in a company qualifying under EIS (Enterprise Investment Scheme) or VCT (Venture Capital Scheme). The investment within the EIS can also be related back to the previous tax year. Your financial adviser should be able to provide relevant details, alternatively please contact us to discuss.

Principal Private Residence

Your principal private residence should qualify for Principal Private Residence Relief (PPR Relief) on a sale however consideration needs to be given to any periods of absence, use of the home for business purposes, area of gardens etc.

HM Revenue & Customs consider the quality of occupation and the intention at the point of occupation.

Where a home qualifies for PPR Relief the last 9 months of ownership will qualify irrespective of whether or not occupied at the time.

Negligible Assets

Have you invested in shares etc. that are now worthless. Has a loss claim been made for this investment?

If you believe that you purchased shares that you still own and are now worthless, please contact us to discuss for a claim for negligible asset relief to be considered.

Stamp Duty

A 3% surcharge applies to the stamp duty on the purchase of second residential properties.

Inheritance Tax, Wills and Pre-Owned Assets

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Inheritance Tax and Gifts

Each individual can gift £3,000 per annum without Inheritance Tax issues. This sum has remained static for years. If you are trying to reduce your exposure to Inheritance Tax it is important that the annual exemption is used.

Unlike the capital gains tax exemption any unused Inheritance Tax exemption can be rolled forward one year, if it is not used in full in the following year it is lost. The current year's exemption is deemed to be used prior to that rolled forward from the previous year. Therefore, if you did not use your £3,000 exemption in the 2019/20 tax year you have the ability to gift £6,000 prior to 6th April 2021.

Each spouse has their own annual exemption therefore it is possible for a couple to gift £3,000 each annually without Inheritance Tax consequences. The annual exemption of £3,000 is in addition to the small gifts exemption of £250 in a tax year to any one person, gifts in consideration of marriage (up to £5,000 by a parent, £2,500 by a grandparent, £2,500 from one party of the marriage to the other, £1,000 by anyone else) or normal expenditure out of income.

To qualify for "normal expenditure out of income" there must be a pattern of payments and evidence that these gifts are made out of excess annual income and not capital. You may receive payments from some sources annually that you consider to be income but are actually capital in nature. If you are relying on this for relief, records are needed and we would be happy to discuss this further.

Gifts to individuals over and above the annual exemption are potentially exempt transfers (PET's). These transfers will not give rise to a liability to Inheritance Tax provided you survive the gift by 7 years. If you do not survive the gift by 7 years the liability to Inheritance Tax on the PET depends on the value of the overall estate (which includes cumulative lifetime gifts in previous 7 years) at death and the "position" of the gift within this estate.

The limit placed on the value of the estate before any inheritance tax becomes payable remains at £325,000 for the tax year. From April 2017 a further exemption has been provided for the family home. To qualify the family home must be left to direct descendants in your Will. This exemption was phased in and has now reached the sum of £175,000 in the 2020/21 tax year.

Where a spouse dies or has died and does not fully utilise their nil rate band for inheritance tax purposes then the percentage equivalent of the unused nil rate band will also be available on the second spouse's death in addition to their own nil rate band.

Consideration can be giving to moving your assets to qualify for 100% tax relief, consider the use of a discounted gift trust, EIS Investments and maximising any possible Business Property Relief or Agricultural Property Relief.

Wills

With the increase in the value of the family home a lot more of us face Inheritance Tax consequences. It is therefore very important that you ensure that firstly you have a valid Will and secondly that the Will not only ensures that your assets are gifted to those you care for but they are also gifted in the most tax efficient manner. It is important that the Will is reviewed to ensure any changes in legislation are considered and all possible reliefs maximised e.g. leaving the family home to direct descendants.

If you leave at least 10% of your net estate to charity a reduced rate of 36% rather than 40% applies and could save your family money.

Power of Attorney

Have you given consideration to who would make decisions on your behalf if you were to become incapacitated by an accident or ill health.

A lasting power of attorney is a legal document that lets you (the 'donor') appoint one or more people (known as 'attorneys') to help you make decisions or to make decisions on your behalf.

There are 2 types to consider

- health and welfare
- property and financial affairs

You can choose to make one type or both. This should be discussed with your solicitor. If you would like us to recommend a solicitor then please let me know.

Pre-Owned Assets

This concept was introduced in the Budget of 2004. The most common transaction being caught by this legislation is the family home, although the legislation can apply to all assets gifted including valuable paintings or the gift of cash by you to buy an asset from which you then receive a benefit etc. If you believe that these rules may affect a transaction that you have previously been party to, then please provide us with full details for us to consider the position.

Final Thought:

Planning to ensure you can maximise the inheritance that gets passed to the people you chose and not paid to HM Revenue & Customs is worth considering.

An estate of £500,000 with a single unmarried individual where the home is not left to direct descendants would give rise to an inheritance tax payment to HM Revenue & Customs of £70,000 on death, under the current legislation.

Removal of "death tax" on pension funds means such funds can become part of your inheritance tax planning.

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Changes Post April 2021

Personal Allowances and Tax Bands

The personal allowance increases to £12,570 and will remain unchanged until 2026. The abatement level remains at £100,000.

The basic rate band has increased to £37,700 from April 2021 and again will remain at this level until 2026. There is no change to the additional rate band which remains at £150,000 and no change to the savings and dividend allowances.

Capital Gains

Prior to the budget many believed that the rates of Capital Gains Tax would be increased but thankfully this was not the case.

The annual exemption remains at £12,300 and will remain at this level until 2026. The tax rates will remain at 10% for basic rate taxpayers and 20% for higher rate taxpayers with gains on residential properties being taxed at 18% and 28% respectively.

Employment

The National Living Wage increases to £8.91 per week from 1st April and will now apply to those 23 and over. Previously it only related to those 25 and over.

The increases to National Minimum Wages are 21 to 22 year olds £8.36 per hour, 18 to 20 year olds £6.56 per hour and under 18 £4.62 per hour. The minimum rate for apprentices is £4.30 per hour.

To ensure a credit is received for state pension purposes the salary must exceed the lower national insurance earning limit of £6,240.

Incentive payments for employers in all sectors to take on apprentices is to double to £3,000.

Corporation tax

Corporation tax rate increases to 25% in 2023 for companies with trading profits of £250,000 and over. For companies with profits up to £50,000 the rate will remain at 19%. A tapered rate will apply to profits from £50,000 to £250,000.

Off-payroll working

Medium and large companies/businesses who are paying any workers either via personal service companies (PSC) or agencies will need to ensure they operate new procedures from 6th April 2021.

The end user organisation is required to determine if the worker would be an employee of the organisation if directly engaged and their determination communicated to the worker/agency.

These rules do not apply to companies/business deemed to be small (Companies Act rules) but the current IR35 rules will continue to apply. The responsibility here is on the PSC to determine whether the worker would be an employee if directly engaged.

VAT

- **Domestic Reverse Charge for building and construction services (DRC)**

  Likely to affect businesses involved in buying and selling construction services. It does not apply to zero-rated supplies of construction services.

  The measure will introduce a VAT Reverse charge on certain building and construction services. The reverse charge will apply to supplies of specified services on or after 1st March 2021.

- **Hospitality Sector**

  The VAT reduction from 20% to 5% on many goods and services in the hospitality and leisure sectors will now be extended from 31st March 2021 to 30th September 2021. It will then move to an interim rate of 12.5% until it reverts to 20% in April 2022.

- **BREXIT**

  If your business involves transaction outside of the UK and is affected by UK leaving the EU, please contact us to discuss any VAT queries

Capital Allowances

The special 100% tax relief for new cars will only apply to those with zero CO_2 emissions (applied to those with emissions up to 50g CO_2/KM before April 2021).

National Insurance Contributions (NIC)

Employees will pay 12% NIC's on salaries between £184 and £967 a week Employers will pay NIC on salaries of £170 a week.

Class 4 (paid by self-employed / partners) will be payable at 9% on profits between £9,570 and £50,270.

Coronavirus support measures

As there are still restrictions on business in place the support packages that have been offered are being extended.

These have been extended to include business that commenced trading in the 2019/20 tax year. Please see the "Coronavirus News" section on our website or contact us to discuss.

Inheritance Tax / Trusts

The Trust Registration Service is now active, trusts must be registered using the online platform. This applies to all existing trusts.

The trust register must be updated annually by the trustees advising of any changes or confirming that there are no changes. Penalties will apply if the annual declaration is not made.

Previously it was only trusts with a tax liability that needed to be registered now all trusts must be registered.

If you require assistance, then please let us know.

Making Tax Digital MTD

Making Tax Digital (MTD) regulations have been with us since 2019. The penalty “soft landing” period for this comes to an end on 31st March 2021.

From April 2022 MTD will be compulsory for businesses with a turnover below the £85,000 VAT threshold.

From April 2023 MTD will apply to taxpayers who file Income Tax Self Assessments for business or property income of more than £10,000 a year.