DNS Accounting Group

TAX TIPS & *News*

This issue includes updates and news on...

- Stamp Duty and Land Tax (SDLT) payment window reduced to 14 days
- Loan Charge Review – Payment deadline deferred till September 2020
- Making gifts could lead to an unexpected Tax bill

Tax Tips and questions

- When do I need to complete a Tax Return?
- Penalties of up to £1,600 could apply for missing Self-assessment deadline
- Expenses employees can claim to reduce their taxes
- Tax Implications of Christmas Gifts made to Customers and Staff

Newsletter *January 2020*

WELCOME & HAPPY NEW YEAR

Welcome to January's Tax Tips & News newsletter. As we enter a new decade, it's time for the yearly ritual to make new resolutions and reflect on the year that went past. Did you know saving money is one of the top 5 resolutions people make every year. Effective tax planning is synonymous with saving money, as lower the taxes, the higher your savings. Hence, to increase your tax savings, we have put together a brief guide on year-end tax tips, which can be downloaded here.

The year 2020, is expected to bring in significant challenges for businesses and contractors, especially due to Brexit being unresolved and the roll out of IR35 off-payroll rules for the private sector. The awaited February 2020 budget, will effectively be the budget for 2019 and amidst everything should offer some clarity to taxpayers. We at DNS are committed to offer our insights and updates to help you and thrive in this challenging environment.

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Finally, after reading the newsletter, if you would like to discuss anything in more detail please contact your account manager and they will arrange for the appropriate team member to contact you.

Best Wishes,

Sumit Agarwal *ACMA, ACA (India)*
Founder & Managing Director

Stamp Duty and Land Tax (SDLT) payment window reduced to 14 days

From March 2019, the SDLT payment window on purchases of both residential and commercial properties has been halved to 14 days of the sale, down from the statutory 30-day period.

This means all purchasers need to ensure that their SDLT is paid within 2 weeks of the completion. A completed SDLT return must also be made within 14 days of the 'effective date' of the transaction, even if no tax is due.

The effective date of the transaction is usually the completion date, but sometimes it can be the date when the contract is 'substantially performed' if this is before the completion. The contract is considered to be substantially performed at the point when:

- most of the buying price is paid – usually 90%
- the buyer is entitled to possession of the property; and
- the first payment of rent is made.

Though majority of the people use a solicitor to file and pay the SDLT on their behalf, it is still the purchaser's responsibility to ensure timely payment is made or penalties could apply.

The penalty regime for late filing and payment continues to remain the same with a fixed penalty of £100 for returns filed up to three months late after the filing date, rising to £200 for returns later than three months.

In extreme cases where a filing is 12 months (or more) late, HMRC will also seek to charge a tax-based penalty, which can be equal to the full amount of the tax due on the return.

Loan Charge Review – Payment deadline deferred till September 2020

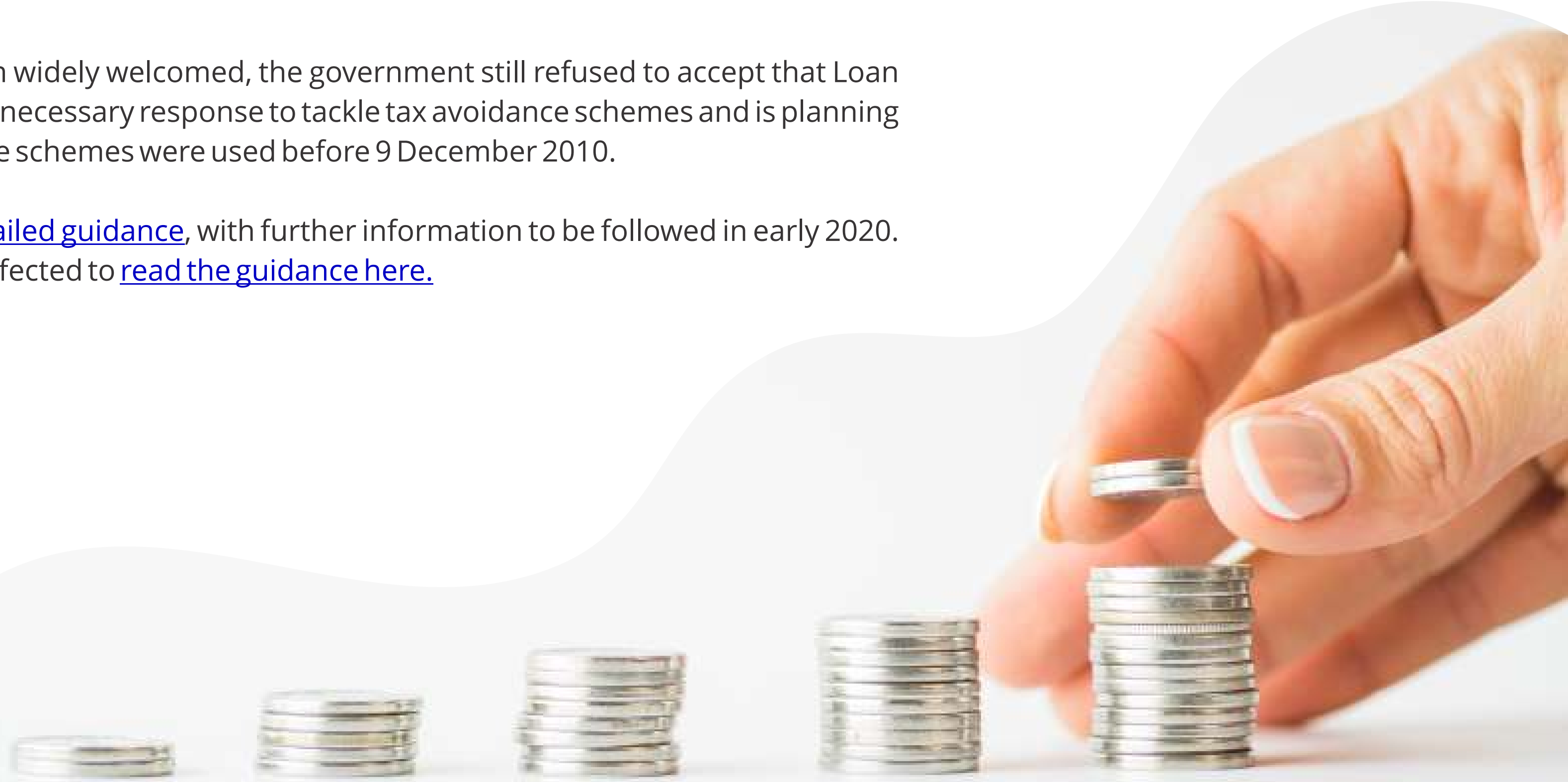
Following the review of the controversial 'Loan Charge' led by Sir Amyas Morse, the government has decided to defer the Loan Charge repayment and filing date to 30 September 2020.

In addition to this, the government has also decided that:

- Loan Charge will not apply to loans received before 9 December 2010, instead of the earlier cut-off date of 1999.
- For loans received between 9 December 2010 and 5 April 2016, taxpayers who disclosed the loan schemes issues to HMRC on their tax returns and where HMRC failed to take action, will be out of scope of Loan Charge.
- Individuals can choose to spread the amount of their outstanding loan balance (as at 5 April 2019) evenly across 3 tax years to make the bill more affordable.

Although the above changes have been widely welcomed, the government still refused to accept that Loan Charge is unfair and stated that it was a necessary response to tackle tax avoidance schemes and is planning to add a new team to collect taxes where schemes were used before 9 December 2010.

The Treasury has published a fairly detailed guidance, with further information to be followed in early 2020. It is strongly recommended for those affected to read the guidance here.



Making gifts could lead to an unexpected Tax bill

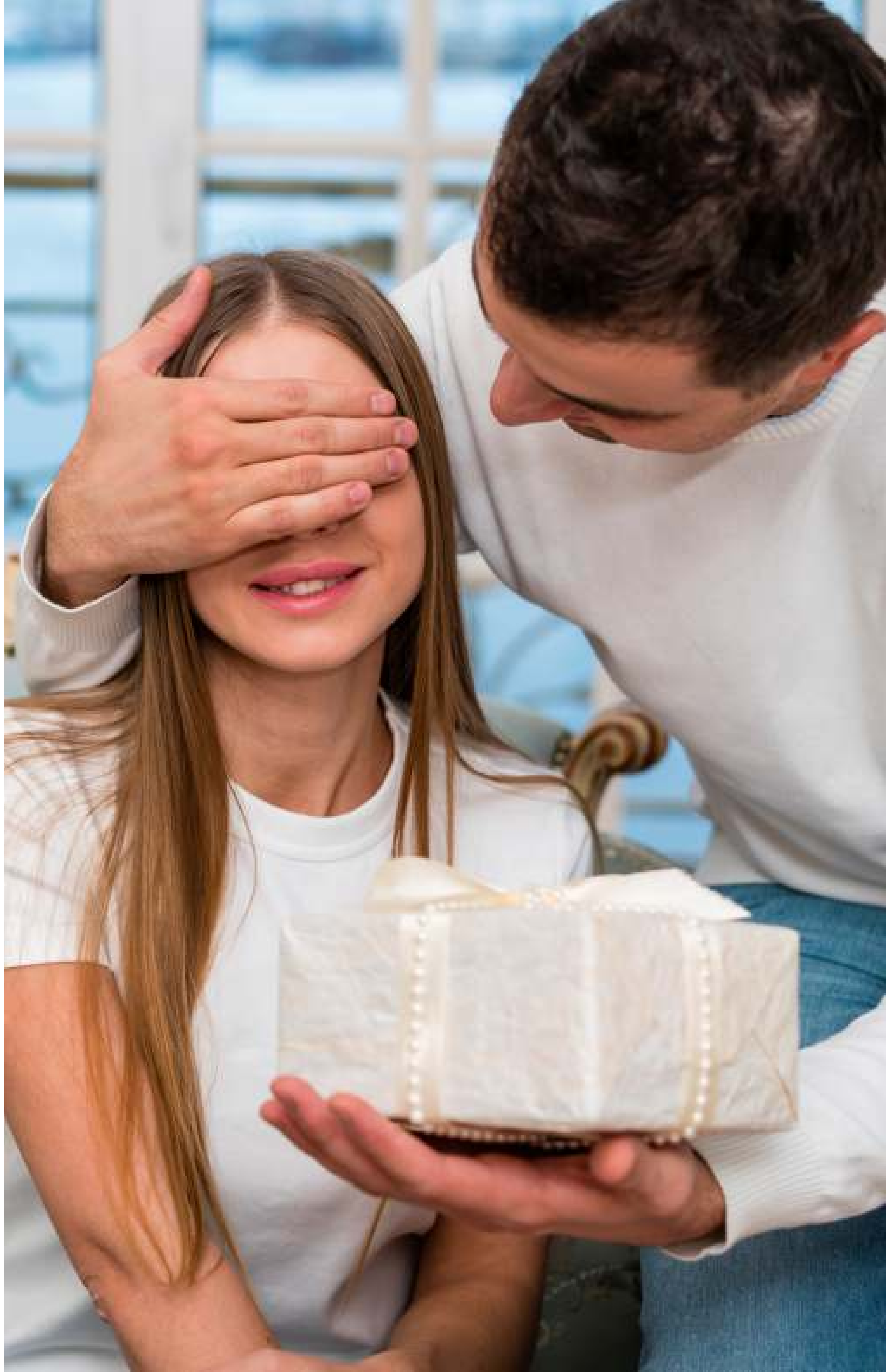
Inheritance Tax (IHT) tax rates in the UK is fourth highest in the world, with taxpayers paying an average of 23.9% when an estate of worth £2.2 million is inherited. Although IHT receipts have increased in the UK, a recent study by IFS shows that only one in four people making financial gifts were aware of the risks of IHT and the implications it could have for any gifts over £3,000.

Generally speaking, most gifts made by an individual in their lifetime will be exempt from IHT, unless the individual making the gift dies within 7 years of making the gift. Such gifts are known as Potentially Exempt Transfers (PETs). Please note this will not apply if the gifts are made with reservation, for example where parents gift their house to the children but continue to live in the house without paying rent, the house will be counted towards the estate for IHT purposes.

Further gifts valued at less than £250 to each individual and not totalling more than £3,000 per year, or to help certain people with their living costs are exempt from IHT.

In addition, every individual has an IHT threshold of £325,000 (£650,000 for married couples and civil partners), where no tax is payable on the estate. With the introduction of the Nil Rate Residence Band, individuals get an additional £150,000 on their main home as of 6 April 2019. The allowance is set to rise to £175,000 from 6 April 2020.

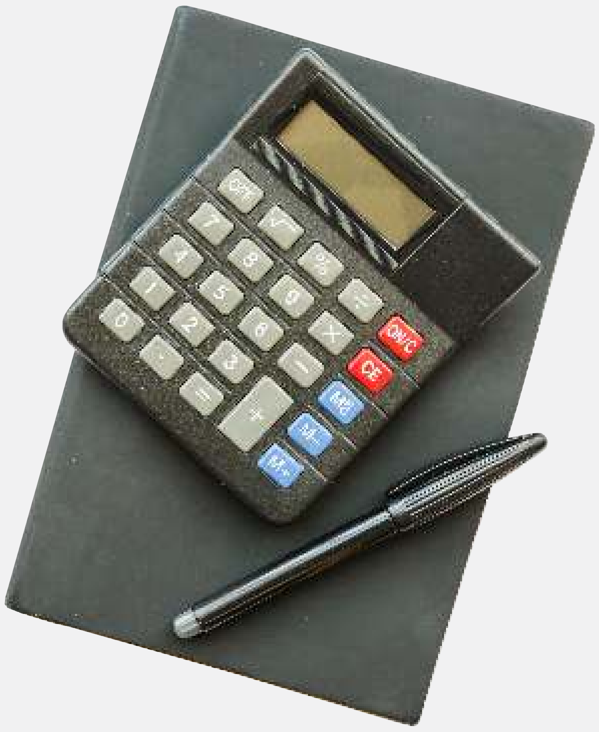
For a complete guide on IHT, please visit here.



When do I need to complete a Tax Return?

You are normally required to file a tax return, if any of the following applies to you:

- You are self-employed working as a sole trader or partnership with income of more than £1,000.
- You receive rental income from a property of greater than £2,500.
- You are a non-resident landlord.
- You receive untaxed income greater than £2,500 for example from tips or commission.
- You have untaxed income that cannot be collected via your PAYE coding notice in a later year.
- You are an employee who wishes to claim expenses of more than £2,500 not reimbursed by your employer.
- Your income from interest or investments is £10,000 or above before tax and expenses.
- You need to settle Capital Gains Tax (CGT) on profits from selling things like shares or giving away personal assets of more than £6,000 or a CGT on sale of property.
- You're a director of a company with income that is not taxed under PAYE.
- You or your partner's pay was over £50,000 and you're getting Child Benefit.
- You have income from abroad you need to pay tax on, or you live abroad but have an income in the UK. The rules are slightly complex if you are non-domiciled in the UK and earn foreign income. Please click here more details.
- Your Employment income is above £100,000.
- If you earned over £46,351 in the 2018/19 tax year (£50,001 for 2019/20) and make pension contributions, you may have to file a SA (SA) to claim back the extra tax relief you're owed.



For more details, please refer here.

Penalties of up to £1,600 could apply for missing Self-assessment deadline

As the deadline for filing tax returns is fast approaching- we look at the penalty taxpayers could face for late filing. The penalty for late filing depends on the length of the delay in filing the return as given below:

Length of Delay	Amount Payable
Up to 3 months late from filing date	£100
Another 3 months – (From 1 May 2020 till 31 July 2020 for 31 January 2020 filing date)	Up to £900 (90 days at £10 a day)
6 months late (Filed after 31 July 2020)	Another £300
12 months late (Filed after 31st January 2021)	Another £300

A total penalty of £1,600 could accumulate if the return is 12 months late. In exceptional circumstances a higher penalty of up to 100% of the tax due is possible.

If payments are not made on time, further penalties are charged as below:

Length of Delay	Penalty
30 days	5% of tax unpaid at the date
Six months	Another 5% of tax unpaid
Twelve months	Another 5% of tax unpaid

It is vital that you file your tax return and pay your tax on time to avoid penalties. For more information read here.

Expenses employees can claim to reduce their taxes

If you are an employee and you spend certain business expenses yourself for performing your duties for business, that your employer does or does not reimburse, you might be able to get tax relief on them by filing a self-assessment or form P87.

The thumb rule for claiming expenses for employees is that they must be incurred 'wholly, exclusively and necessarily' in the performance of their duties.

Some of the common expenses you can claim are:

- **Travel and Subsistence**: Ordinary commuting that is travel from your home to a permanent workplace is not allowed. Travel to temporary workplace can be claimed
- **Professional fees or subscriptions**: For the full list of approved bodies, refer here.
- **Clothing** – Specialist uniform or protective clothing where costs not reimbursed by the employer. The flat rate amount you can claim can be checked here
- **Tools/Equipment**: Where equipment, such as a computer is necessarily provided by you for business use, you can claim capital allowances for depreciation. This does not apply if you choose to buy the equipment.
- **Working from home**: Cost of things you use for work – like heating lighting, telephone.

For more information refer here.

Tax Implications of Christmas Gifts made to Customers & Staff

Thousands of business owners give Christmas presents to their valuable Customers and likewise, recognise their best employees by rewarding them. Here we consider the tax position of these gifts.

Usually, all customer and staff Christmas gifts will fall under entertainment and as a basic rule, expenses incurred by a business in providing entertainment or gifts, in relation with a business are not tax deductible. But there are exceptions to this rule, where the cost of a gift could be deductible for tax purposes depending on the amount.

Tax Relief on Christmas Gifts

Where the gift is given in the form of advertisement for the business and it's clearly visible and the cost of providing it does not exceed £50 per customer, then it may be tax deductible. For example, a logo enabled umbrella, mouse mat or diary would be ok. However, if the Christmas gifts contain food, drink, tobacco, or any voucher that can be swapped for goods, then that is not tax deductible, even if the festive chocolates are decorated with the business logo.

There is a further relaxation of the rules where a company makes a gift of one of their products, and the item is given away during the ordinary course of that business, to advertise to the public generally.

Christmas Gifts to Employees – Benefit in Kind

Christmas gifts of up to £50 to employees are tax deductible, anything more may be considered as a benefit in kind and the employee may end up paying tax on it.

Cash bonuses & vouchers

Christmas gift paid in cash to employee will be taxable as earnings in the normal way (subject to tax and NI). The same applies to vouchers exchangeable for cash and the employee needs to bear the tax on the full value of the voucher.
Vouchers exchangeable for goods and services only (non-cash vouchers) are non-taxable if the cost of providing them is £50 or less per employee, or else they need to be reported on the employee's form P11D. Class 1 national insurance will normally need to be deducted through the payroll.

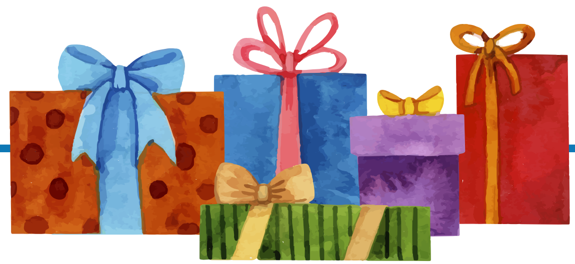
Seasonal gifts

The employer may wish to rewarded employees with a seasonal present, such as a foreign travel ticket, a bottle of wine or a box of chocolates. Provided and make sure the cost of the gift less than £50 per head – the gift will usually not be taxable If cost is above £50 per head, the whole amount will be taxable as a benefit and it needs to be reported with HMRC on either a form P11D or through a PSA.

VAT on Christmas Gifts

You could claim the input VAT on gifts bought for business purposes, which includes gifts for staff and customers, but you can't if you buy for yourself or your family and friends!

However, if the cost of gifts made to a person in a tax year is above £50 (excluding VAT) and likewise, you have claimed the input VAT, you should charge output VAT on the whole cost of the gifts. This rule applies to all types of gifts and if you believe that it is going to apply, it might be easier and better not to claim the input VAT in the first instance.



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