DNS Accounting Group

TAX TIPS & *News*

Newsletter February 2020

This issue includes updates and news on...

Tax Tips and questions

WELCOME

Welcome to our February's edition of Tax Tips & News newsletter.

According to a recent survey by BBC, nearly 1 million out of a total of 12 million missed the deadline for filing tax return. Please note if you have missed the filing deadline, HMRC could demand a late filing penalty of £100 for the first three months of filing and additional penalties could apply after 3 months.

The self-assessment filing season is finally through (phew!), and this year I take pride in saying, DNS Group has successfully submitted over 5,000 tax returns.

Further, I understand that it is a difficult time for contractors and freelancers, who are caught by the off-payroll changes which comes into effect from 6 April 2020. If you are currently operating through a limited company and affected by the changes, please refer to the following article or speak to your account manager to organise a meeting with our specialist team who can explain the options available.

Finally, did you know that there are 25 different ways of extracting funds from the company tax efficiently? In case you wish to find out why not book a review meeting via your client manager. As always, we are eager to hear your valuable feedback on Newsletters. Your feedback is vital for our motivation and guidance.

Best Wishes,

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

Recruitment Companies call for Off-payroll Delay

Although the government announced a limited review of the off-payroll changes, they have confirmed the rules will be in force from 6th of April 2020 and there are no plans to postpone it. The focus of the off-payroll review will be to ensure smooth and successful implementation of the reforms and is due to be completed by mid-February.

A group of industry leaders comprising 14 signatories, that include companies like Hays, Reed, Pertemps and Addeco have written to the government calling for a one-year delay to the introduction of the IR35. With the budget being announced on 11th March and the reforms being introduced on 6 April, it leaves only 17 working days for businesses to prepare for the changes and review the draft legislation.

The issue has been further aggravated, because without even waiting for the independent review to be completed, the government has already published the draft legislation for consultation.

In their letter, the group highlighted that estimated 83% of the businesses that work with contractors will be affected by the reforms and are not prepared to bear the additional costs, administration and outflow of key resources. Hence the government should rethink the strategy and implement it from 2021, which will give enough time for businesses and the government to implement and enforce the changes.

On the issue of contractors being pushed into using Umbrella Companies, the group said - 'Our primary concern is that the effective regulation of umbrella companies that the government has promised will not be in place in time for April - creating huge opportunities for avoidance".

We are already seeing examples of projects being binned and work taken offshore, damaging growth here - and ultimately, the tax take.'

Due to the changes, major businesses, including most of the banking sector, have already announced they will no longer engage contractors due to a lack of confidence in the legislation.

The agencies in the recruitment companies place millions of people into temporary and permanent contracts each year and all are already seeing the catastrophic effect the changes are having on individuals and businesses, having said that it doesn't look like the government has any plans to backtrack the rules and is adamant on going ahead with the implementation.

For more information, download our guide to Off-payroll: Off-Payroll Guide

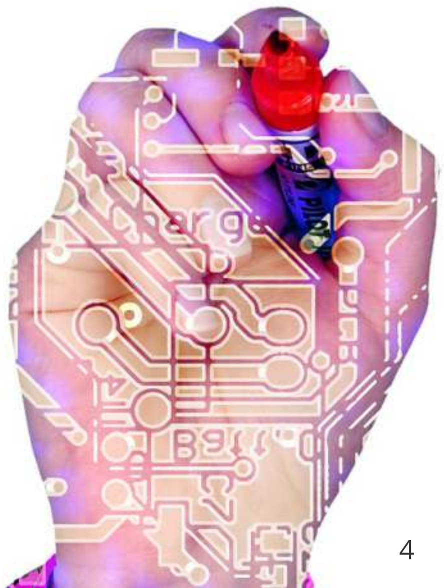
Data Protection Fee – It's not a hoax

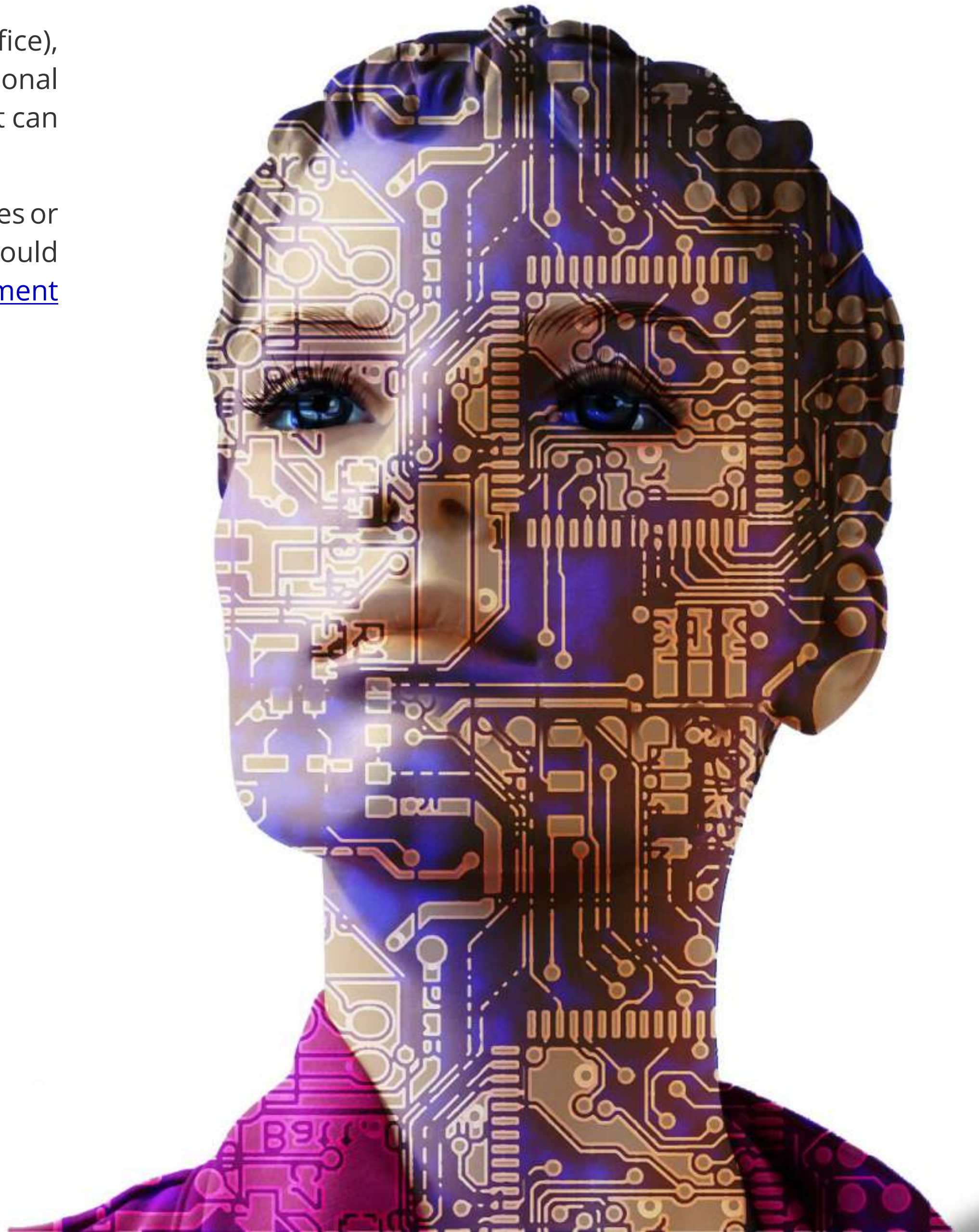
Many companies have received a letter from ICO (Information commissioner office), reminding them of their duty to pay data protection fee, if they process personal information of the customer, client or a tenant. If the same is not paid on time, it can lead to fines up to £4,350 (150% of the top tier fee).

If you hold any personal information on any electronic device for business purposes or CCTV camera for crime prevention, you need to pay an annual fee payment. We would like to stress that it's not a scam and companies should use the ICOs self-assessment tool to assess if this applies to them or they could face penalties.

Read more on our website:

Click Here





Entrepreneur's Relief at the risk of being abolished

Introduced in 2008 by the Labour chancellor Alistair Darling, Entrepreneur's Relief (ER) a generous tax break for entrepreneur's is reportedly under threat. ER reduces Capital Gains Tax (CGT) payable @ 10% subject to eligibility. It is most valuable to individuals retiring or selling their business as cumulative gains up to £10 million could qualify for the relief.

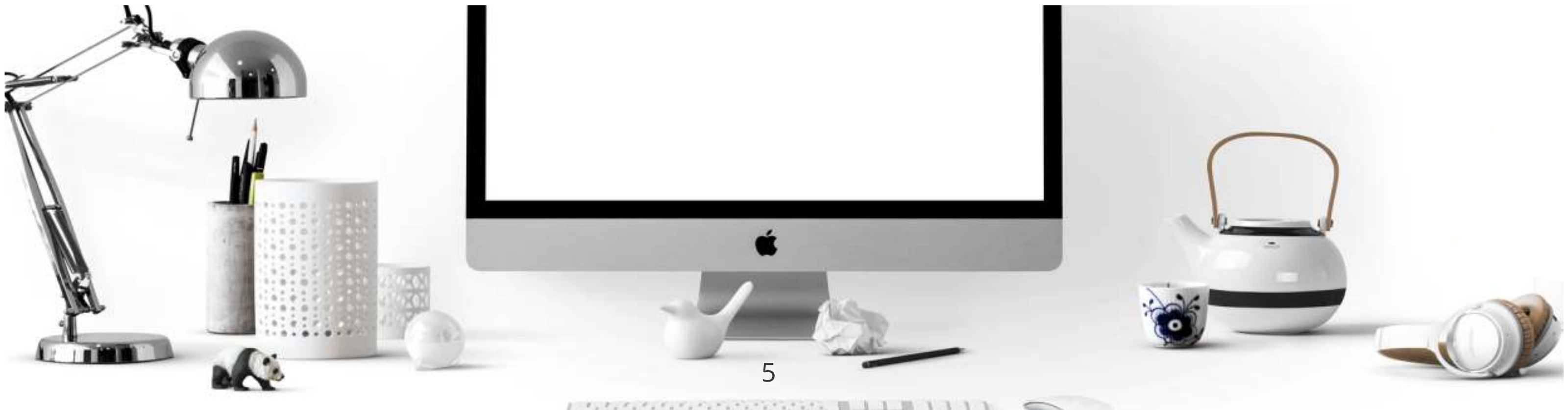
The Conservative Party, in their manifesto had surprisingly stated that 'We also have to recognise that some tax measures haven't fully delivered on their objectives. So we will review and reform entrepreneurs' relief.' Now that Conservatives have been re-elected, we expect that an announcement will be made about the terms of the review – whether it's being limited or being completely abolished.

The Times, also recently quoted that "Boris Johnson has signalled that a tax break for entrepreneurs is likely to be scrapped in the budget because it is merely making already "staggeringly rich" people even wealthier."

There has been a growing demand for the abolishment of the relief, from organisations like AAT and other senior Chartered Accountants and influencers like Richard Murphy who recently said on his website - 'Nothing about this relief makes any sense at all. It has to go.'

By contrast many others like Mike Cherry, chairman of the Federation of Small Businesses have come out in support saying 'Making big changes to the relief at this juncture would hit many small business owners who have been planning for their retirement with the relief in mind.'

Since the introduction of capital gains tax regime, entrepreneurs have always been rewarded with some sort of reliefs on disposals– retirement relief, taper relief and now entrepreneurs' relief – and it will be a huge surprise if the outcome of in the budget was complete abolition of the relief. But considering the government could save £2.4bn in capital gains tax every year by withdrawing the relief, it wouldn't be a surprise if the relief is scrapped completely.



Brexit Day – Start Preparing your business

On 31st January 2020, after more than 3 years of commotion, UK finally parted ways with the European Union (EU). Businesses may not feel the immediate effect of Brexit today, but panic may start building after the 11 months transition period is over and UK leaves the EU trading structures from 31 December 2020. The withholding agreement, does provide a provision for the transition to be extended to 2022, if requested by 1 July 2020. We strongly urge businesses not to rely on extension, as the government is very keen on getting Brexit done, and leaving things to last minute will only cause panic.

Businesses involved in export and import should apply for EORI number, if not applied already. Further, given that businesses are aware the deadline is 31 December 2020, they should start preparing for a lot of costs associated with the process and begin speaking to their staff, suppliers and customers on important issues like:

- Customs and Tariff
- VAT
- Immigration
- Operational issues

Download our comprehensive guide to Brexit

Brexit Guide

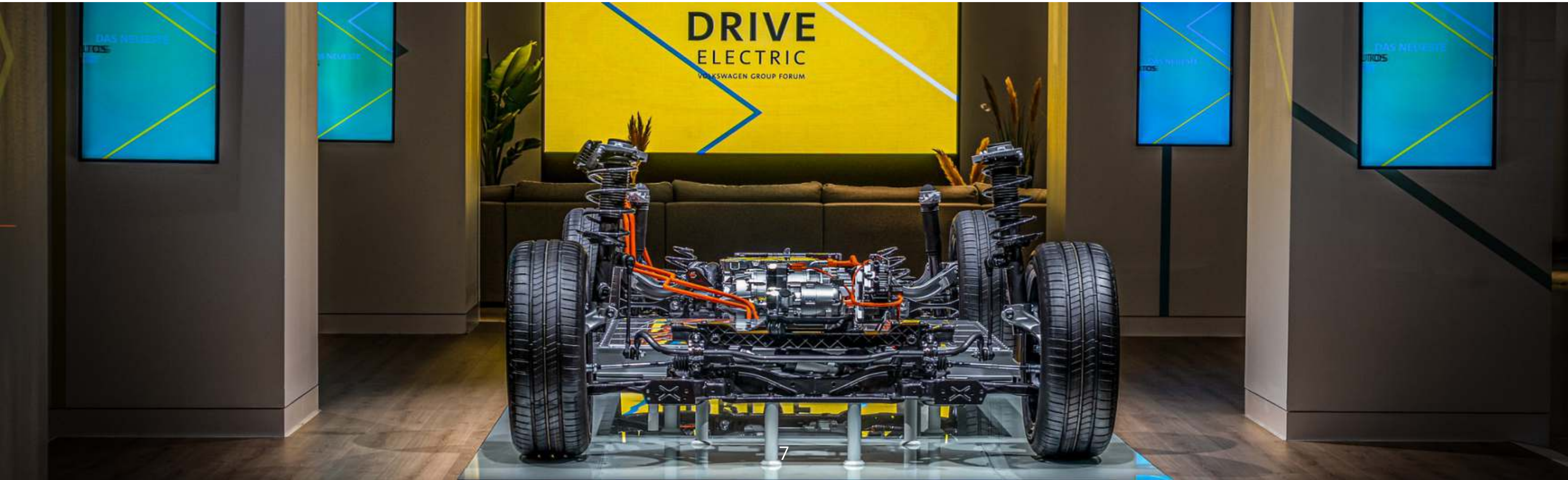
Driving an electric vehicle (EV) from April-2020 couldn't get more rewarding

The UK government has been encouraging citizens to focus on the environment and decrease usage of cars with high CO2 emissions. This can be seen by introduction of ULEZ charge in 2019 and the new Worldwide Light Vehicle Testing Procedure (WLTP) from 5th April 2020, which will increase the Co2 emission values for the vast majority of the cars, making them more expensive to drive.

To encourage EV's, the government has decided to reduce the Benefit in Kind (BIK) percentage to 0% for 2020/21, 1% in 2021/22 and 2% in 2022/23. This will reduce the Employer's National Insurance (NI) costs for businesses, resulting in savings even when compared with high rental costs and make individuals feel good that they are helping the environment. Below is the tax treatment of buying an EV, from 6 April 2020.

Capital allowances

Fully electric cars and a few hybrids cars will be eligible for a 100% first year allowance (FYA) in the year of purchase if they will fall under low and zero emissions vehicles. The Government has cleared that it will be going to extend 100% FYA on low / zero emissions cars to April 2021 for business or 5 April 2021 for income tax.



Benefit-in-kind (BIK)

When an employee/director receives a vehicle for personal use from the company, this is classed as a 'perk', which is taxable as BIK. Tax payable by the company and the employee will depend on the vehicle's value, its CO_2 emissions and the income-tax bracket of the employee. The BIK tax rate is determined by the BIK tax band the vehicle sits in, its P11D value, as well as your income-tax bracket. The below formula can be used to determine BIK tax for a taxpayer: (list price) x (BIK rate band) x (income tax rate) = BIK tax

For electric cars, currently BIK band rate is 16% for the 2019/2020 year. However, the rates for zero-emissions vehicles will reduce to 0% during the 2020-21 financial year, rising to just 1% in 2021-22 and 2% in 2022-23. This will apply retrospectively to electric company cars already registered before the 6 April 2020 introduction date for the new rates. By way of an example, for a basic rate taxpayer with an electric car of £40,000 P11D value, company-car tax for the next three financial years will therefore amount to £0, £80 and £160 for 20% rate taxpayers.

Optional remuneration arrangement (OpRA)

OpRA will come in picture where an employee gives up actual or potential earnings in order to get a benefit. There could be two types of arrangement possible under OpRA:

- The employee waives off a right to earnings (or future earnings) in exchange for a benefit it will be called as salary sacrifice.
- The employee agrees to take up with a benefit instead of earnings.

However, the OpRA rules would does not apply to company cars with less than 75g/km of CO_2 emissions and hence electric cars are outside the scope. This is a great opportunity for many company employees to sacrifice the salary and go for Electric cars in case they are thinking of buying a car. Win win for both Employee and employer.

To read more, please refer to our article on Tax Treatment of Low Emission Vehicles:

Click Here

Annual Tax on Enveloped Dwellings (ATED) – Immediate Action Needed

ATED (annual tax on enveloped dwellings) affects any company who holds residential property. It also impacts some other entities, such as partnerships with corporate partners, some trusts and certain collective bodies holding residential property.

The regime has only been with us since 2013, when properties valued at £2m and over were affected. More companies are now feeling the impact of the tax as properties valued at £500,000 and above came within the ATED regime from 1 April 2016.

From April 2018, all online ATED returns will have to be filed using the new ATED online digital service. This new service also has to be used to appoint an agent. The annual ATED charge increases in line with inflation and the 1 April 2012 valuation date will be superseded by the 1 April 2017 valuation date, which may bring existing properties under the ATED scope. Please review your position immediately, to avoid paying penalties.

Deadline for filling and payment:

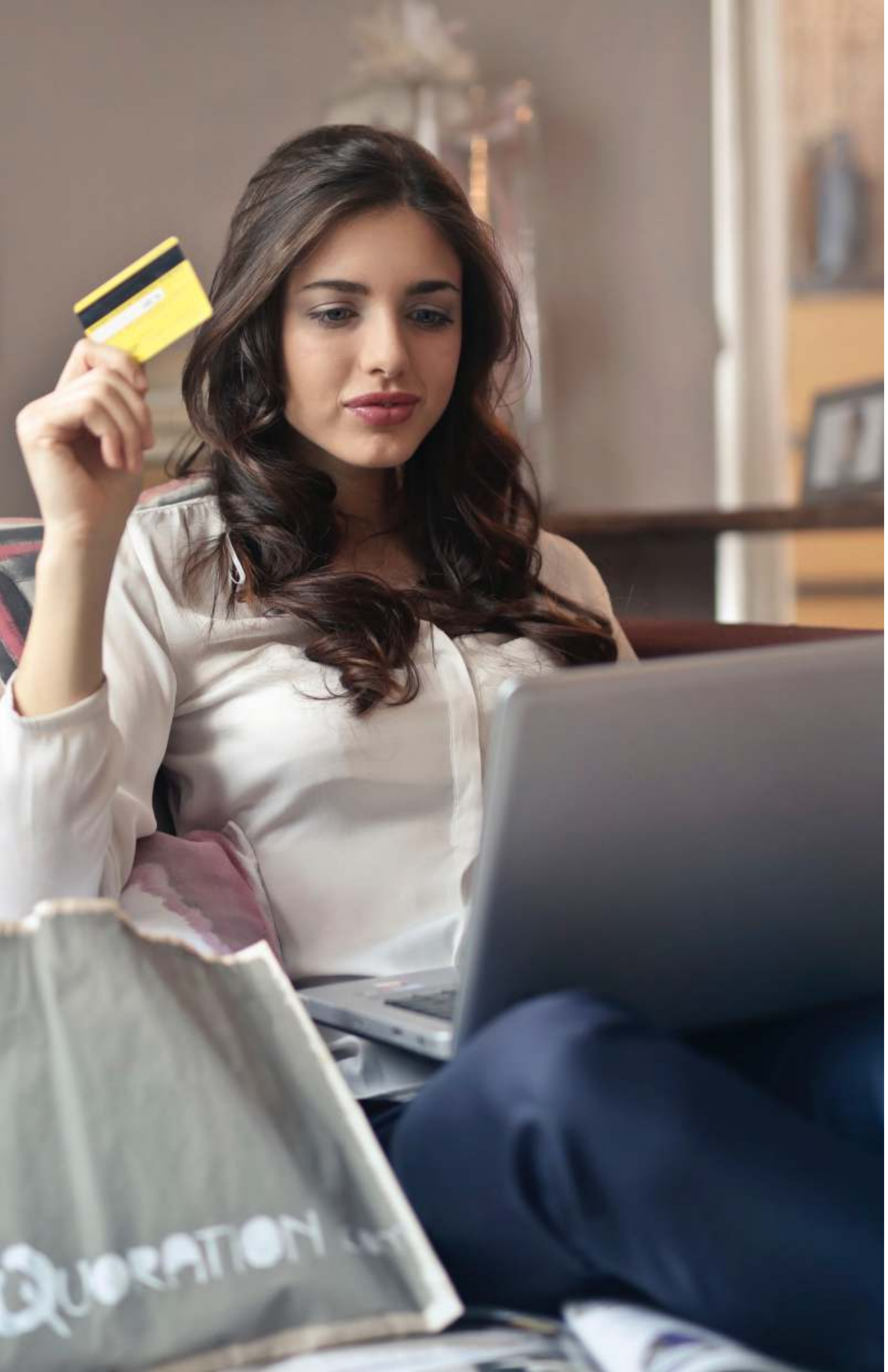
Returns under ATED need to be submitted by 30 April in the chargeable year. This is more than 11 months before the end of the relevant tax year. For example for tax year 1 April 2020 to 31 March 2021, the return should reach HMRC by 30 April 2020.

In the year in which an ATED property is acquired, the return and payment are due within 30 days if purchased, or 90 days if the property is newly built.

Penalties and Interest:

For Non-Filling or Late filling

- Initial penalty of £100 for the late submission of the return;
- Daily penalties of £10 per day, after your return is three months late.
- If the return is six months late, a further penalty of £300 or 5% of HMRC's estimation of the liability to the ATED tax (whichever is higher) will apply further penalty of £300, or 5% of HMRC estimation of the liability to the ATED tax, (again, whichever is higher) will apply if the return is 12 months late.



For Late Payment

- For 30 days late payment, 5% of tax due
- For 6 Months delay, 5% of tax outstanding at that date
- For 12 moths delay, 5% of tax outstanding at that date

For a guide on ATED charges and what to pay – refer to our blog:

Click Here

High Income Child Benefit Charge (HICBC)

HICBC charges will be applicable if a person's individual income is above of £50,000, and either them or their partner gets Child Benefit, or "someone else is getting that benefit for a child living with them and also, they should contribute at least an amount near to benefit, towards the child's upkeep" as the government states.

If a person is already getting Child Benefit, then they can either opt out from getting Child Benefit or continue to get the benefit and pay any tax charge at the end of each tax year. Those covered by HICBC regime, need to fill in a SA tax return each year, and pay the charges.

The clawback is pointed so that it applies to earnings between £50,000 and £60,000. Those who earn in above of £60,000 may opt to no longer receive Child Benefit and they are not required to do the respective calculation.

How do you work out the Child Benefit Tax Charge?

The charge calculates at a rate of 1% of the full child benefit for each £100 of income between £50,000 and £60,000. For example, child benefit for two children is £1,650 per year. For a taxpayer whose income is £55,000, the charge will be £825. This calculated as follows:

Step 1: £1,650 child benefit divided by 100 = £16.5 (which is 1% of the child benefit award)
Step 2: £55,000 (adjusted net income) minus the £50,000 threshold = £5,000 of excess income
Step 3: £5,000 of excess income divided by £100 = 50 (the number of £100s of excess income)
Step 4: £16.50 (1% of the child benefit award) multiplied by 50 (the number of £100s of excess income) = £825

The tax whose income is above £60,000 will have to give back the equal to the amount of child benefit paid.
As per the above example, for a taxpayer whose income is £65,000, the charge will be £1,650 (the full amount of child benefit paid).

Electing not to receive child benefit

Child benefit will not automatically liable to tax if income goes above £50k.The claimant able to enjoy the benefit and will be unaffected by the charge i.e. The claimant will get the fill child benefit even if they or their partner have a liability to the tax charge arise. Claimants should elect not to get the child benefit to which they are eligible if they or their partner do not want to pay the charge. But later if they or their partner is not getting income above £50k, the claimant may wish to withdraw that election this is named revocation.

For example, a person decides not to receive their Child Benefit payments for the 2016-2017 tax year because they expected their partner's income to be £80,000 in that year. When their partner submits their 201-2017 tax return in December 2017, his actual income for the year was £48,000. The person can revoke their election and get the Child Benefit payments they were entitled to receive for 2016-2017.

Important consideration

If not claiming child benefit - you will lose the NI credits which are provided to child benefit claimants until the child is 12 years old. These can be critical to building entitlement towards a state pension and other benefits, if you do not work or you are not entitled to NI credits on some other basis.

Furthermore, not claiming child benefit will have a significant impact for the child, too, as they will not be automatically issued with a National Insurance number when they reach 16. This will mean the child will need to actively obtain one and they may need to undergo a face-to-face interview to do so.

If you forgot to file the Self assessment in previous year when you were liable to pay HICBC, call HMRC immediately and register for SA so that you can file tax returns for the years concerned.

Despite an HMRC marketing campaign when the HICBC was first introduced, many of those affected were unaware of this obligation and as a result have received penalties for their 'failure to notify'.

Important Tax changes for UK property Landlords

In past years, many changes have been made to taxation of UK Properties. These changes include shorter filing period and payment deadlines, which occurred during 2019 and 2020 and there are a few further proposed changes with (as yet) no effective date.

Stamp Duty and Land Tax Filing Deadline

The deadline for filing a Stamp Duty Land Tax return in England and Northern Ireland was shortened from 30 days to 14 days for transactions with an effective date on or after 1 March 2019.

Changes from 6 April 2020

- The requirement to report and pay CGT within 30 days of completion is extended to UK residents as well if they are making any disposal of UK residential property which is not covered by PRR or letting relief.
- Usually there will be no or very low Capital Gains Tax (CGT) payable if you are selling a property that was your main home due to PRR and Lettings Relief. Under PRR the final period exemption currently means that any gains occurred in the final 18 months of ownership will be exempt from CGT, even if the landlord is not sharing his property with the tenant during that period. This period will be limited to 9 months from April-2020.
- Further Lettings Relief will only be available if the landlord is in a shared occupancy with the tenant.
- Non-UK resident companies that carry on a UK property rental business or have other UK property income will be liable to corporation tax (19%) instead of income tax (20%) i.e. It will be changed a year after their UK property Capital gain become subject to corporation tax. All Unused losses from UK property rental business are carried forward for corporation tax purposes.
- For group relief purpose all non-resident companies will be covered by the definition of 'UK related company' within the scope to corporation tax so that such companies can benefit from group relief from 6 April 2020.

Capital Gains Tax (CGT) Charge for Non-Resident Landlords and Companies

The tax charge which was earlier applicable to the gains realised by non-UK residents on UK residential property is now stretched to all UK properties. From 6 April 2019, gains on commercial property held by non-resident Landlords; and gains on residential and commercial properties owned by diversely held companies. So basically, in nutshell gains on Commercial property by non-resident companies are not exempt anymore and CGT is payable.

In addition to the above, the government has also proposed to introduce 1% surcharge on SDLT for residential properties purchased by non-UK residents.

Key Dates and Deadlines for February 2020

Important Deadlines for individuals, self-employed and CIS subcontractors

February 2 - Forms P46(Car) for quarter ended 5 Jan (where benefits not payrolled) to reach HMRC

February 5 - Employment intermediary's quarterly report (5 Oct to 5 Jan) of agency workers paid gross

February 7 – Quarterly VAT returns for period ended 31 Dec 2019

February 19 - CIS returns for the period 6 January 2020 to 5 February 2020

February 19 - PAYE cheque payments for the month ended 5 Feb

February 22 - Monthly deadline for electronic remittance of CIS, NICs and PAYE to HMRC

February 28 - Company accounts deadline for businesses with Year End - May 2019

February 28 - Corporation Tax Return (CT600) deadline for businesses with Year-End 28 Feb 2019

Awards & Accreditations

BRITISH ACCOUNTANCY AWARDS 2017 & 2018 WINNER

Independent Firm of the Year South-East, England

accountingexcellence
SHORTLISTED
2018

PRACTICEexcellence
SHORTLISTED
2017

British Accountancy Awards
2019 SHORTLISTED

British Accountancy Awards
2018 WINNER

British Accountancy Awards
2017 WINNER

The British Accountancy
AWARDS 2013
WINNER

The Contracting Awards2019
FINALIST

TOP 5
accountingexcellence
Investing in People Award
2019

DNS Accounting Group

Accounting Anywhere

TARGET ACCOUNTING

Limelight Accountancy

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