DNS Accounting Group

TAX TIPS & News

Newsletter April 2021

This issue includes updates and news on…

Tax Tips and questions

Welcome to April's edition of the Tax Tips & News Bulletin.

With the new tax year starting on 6 April, may I ask all of our clients to check their combination of salary + dividends with their account manager and keep an eye out for our email highlighting the salary/dividend options open to you. Personally, I am eagerly waiting for the economy to open up again and I doubt I'm the only one keen to make holiday plans – so I'm thinking that a UK break will do very nicely until we can travel abroad again. The vaccine has begun to liberate many millions of people, who will now feel a bit more Covid-safe and more connected with life again. For those of us still waiting for our jab, we must be patient a while longer and remain cautious and sensible – our long wait is the road to our freedom.

Landlords who own residential properties worth more than £500,000 must remember to make an Annual tax on enveloped dwellings (ATED) declaration, even if there is no tax due. It is mandatory under ATED to make a nil-declaration, and failure to so will result in a fine which is definitely what we want to avoid!

I would like to share some good news with you about the Kickstart Scheme. I can report that we had amazing success in March 2021 – with over 100 candidates' applications approved for the scheme. We can now see more clearly the way the scheme can really boost the economy, your business, and the issue of youth employment. We'll keep you posted on the success stories of businesses who have benefited from the scheme. With the Kickstart Scheme, the government is incentivising businesses to take on 16–24-year-old employees. Your business stands to lose nothing and potentially has a lot to gain – so why not explore what the scheme entails and exactly how your business could benefit from it.

If you are a limited company contractor, you have my full sympathies. In all likelihood, this will mean that your agency will ask you to work via an umbrella set-up, which will mean reduced returns for your work in terms of tax liability. This will directly affect your take-home income, so is there a way around this problem? I hear you ask.

First off, I'd recommend that you speak to your client direct and ask them to carry out your assessment without delay, because you can continue to use your limited company without any further worries if your assessment shows that you fall outside the IR35/off-payroll legislation. The real problem arises when the end-client and agencies insist on using a blanket approach, whereby they fail to assess and classify genuine self-employed contractors within IR35 and instead immediately face them in the direction of an umbrella solution. To navigate this and then negotiate with your client may not be easy, but DNS has the solution: We urge you to have the assessment done via us, and if our assessments finds that you fall outside IR35, you can share this news with both your client and agency. This may very well help your cause. However, to help with this difficult situation, DNS have come up with an easy-switch package that allows contractors to work through their limited company whilst part of the umbrella at no extra charge. The umbrella under the easy-switch package acts as a temporary arrangement that ceases as soon as you no longer require it. With the DNS easy-switch model, fees paid through your limited company are managed free of charge, meaning there is nothing extra to pay whilst you are sorting out your status or looking for a new contract outside IR35.

Other great news is that DNS are launching dynamic tax forms this year, so you should keep your eyes open for the link we will be sending you to submit your information. This delivers a big bonus in that it will speed up and simplify data collection and compilation, but to make it even more efficient DNS will be launching its white labelled self-assessment app for all DNS clients. Watch out for this amazing app designed to help you stay on top of your personal taxes, which no other accountancy practice provides.

Our number one goal is to continue to deliver a gold-standard service to all of our clients and we work hard to improve in areas where we may lack at times. It is a joy to hear from our clients that we are making a difference to their life; however, during this process, we also learn sometimes that we have not met expectations. Therefore, please continue to provide us with your feedback so that we can continue to improve. Our goal is to respond to every email and telephone call received from clients within four working hours. If we fail to return your email or call within our four-hour promise, you must let us know. I am making this announcement in our newsletter so that we can be accountable for our goals.

To conclude, I beg you to remain cautious and be careful. We must be patient – that amazing time we long for is just around the corner – and we all want to get there in good health. Our more carefree, Covid-free life is right there, on the horizon ... though I realise it sometimes feels like a very distant dream ...

This issue includes updates and news on...

- Tax-free childcare bonus – millions missing out on pay-outs
- Brexit support fund for SMEs – applications open
- One-third of businesses are not ready for off-payroll reforms
- Non-resident purchasers to pay more SDLT on residential property from April 2021

Tax Tips and questions

- Optimum salary and dividends for 2021/22
- Capital allowance super-deduction 130% – how does it work?
- Domicile Status – what is it, and why does it matter?
- Form P87 – tax relief for employees and umbrella workers

Finally, please refer to **the Key Dates and Deadlines for April 2021** to be sure that you keep up to date with the filing deadlines for your business.

Kind regards,

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

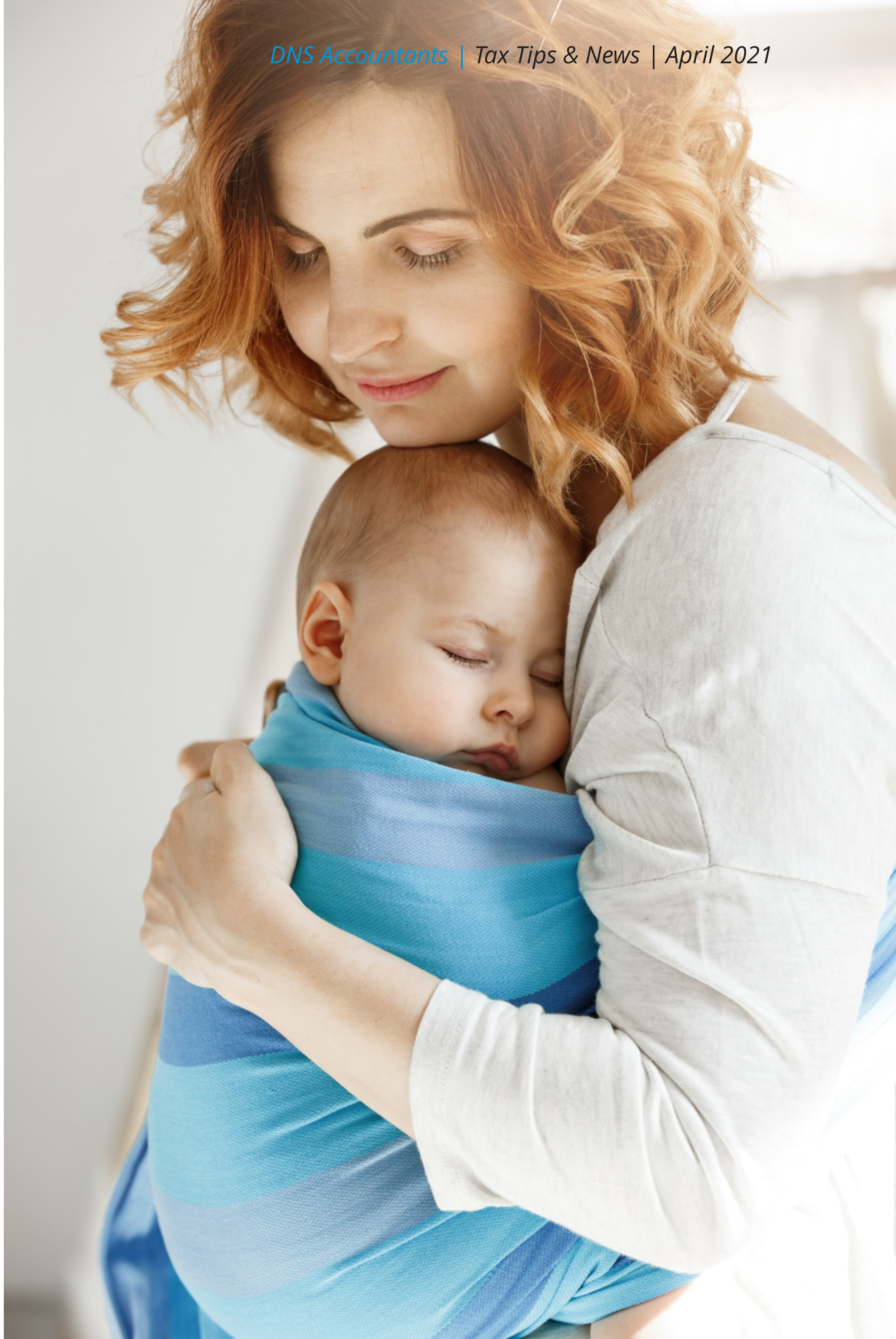
Tax-free childcare bonus – millions missing out on pay-outs

The tax-free childcare scheme was introduced in April 2017 to replace the childcare voucher scheme. Under the scheme, parents and carers of children up to age 11 (17 if the child is disabled) can receive a 20% government top-up (maximum £2,000 per year) by paying their childcare provider through the scheme. This means they can contribute up to £8,000 gross every year and receive up to £2,000 from the government. The contribution is paid directly into the child's account and can be used instantly. The funds can be used to pay for childcare provision including for after school clubs, summer schools or sports activities.

HMRC has recently revealed that almost 248,000 households across the UK saved money using tax-free childcare in December 2020 and received more than £25 million in government top-up payments. This is an increase of 43,000 families from December 2019. The tax-free childcare top-up can also provide valuable financial support to households affected by the Covid-19 pandemic.

Families using tax-free childcare to pay their childcare provider are already benefiting from the 20% government top-up on deposits. To avail the contribution, parents and carers will need to create a tax-free childcare account for each child, and the 20% government top-up is then applied to deposits made for each child (not the household).

To find out more search "tax-free childcare" on gov.uk.



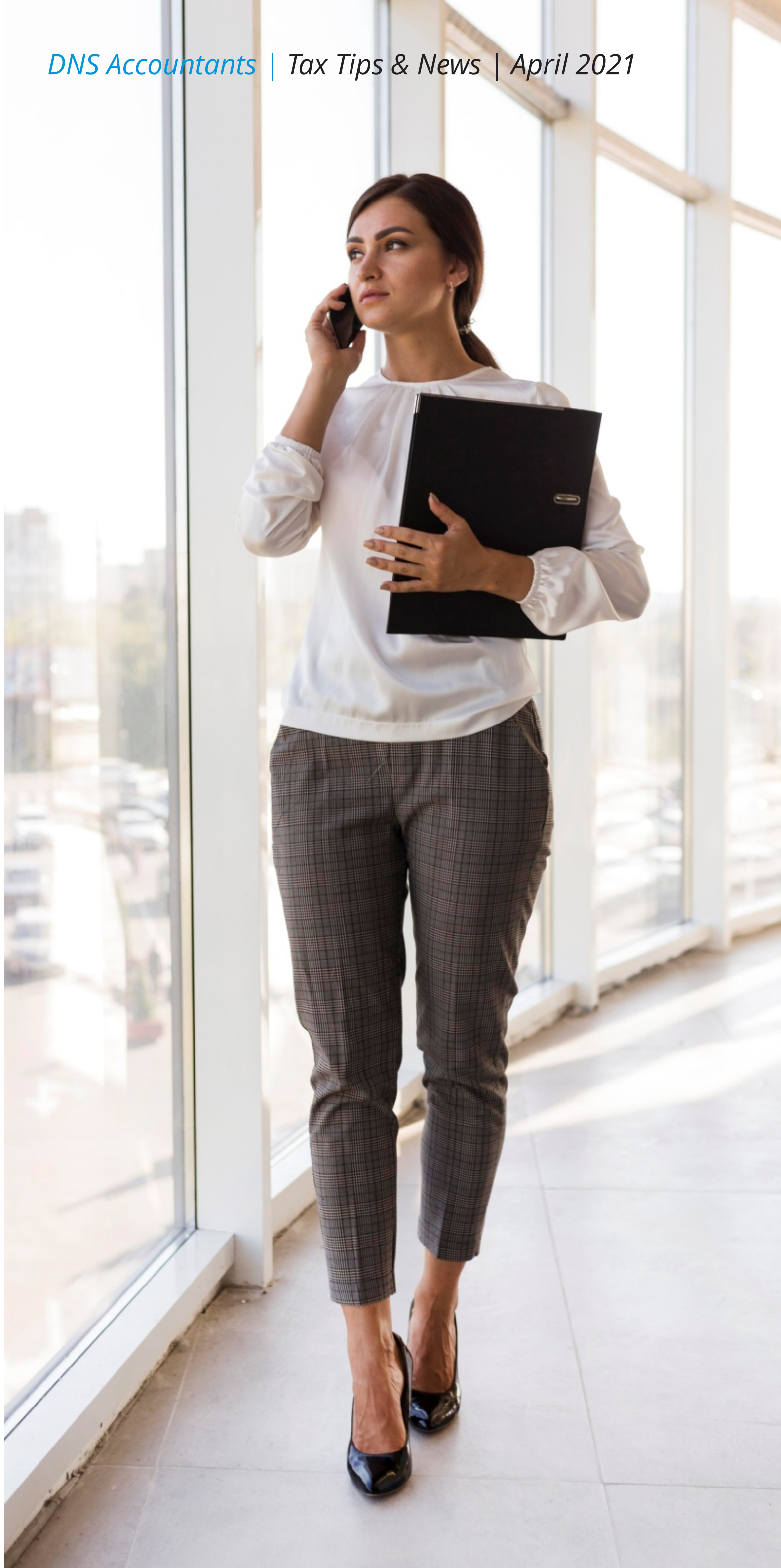
Brexit support fund for SMEs– applications open

The objective of setting up the £20 million SME Brexit Support Fund has been to assist small- and medium-sized businesses with changes to trading guidance with the EU, pertaining to new customs, rules of origin and VAT arrangements. The government started taking grant applications on 15 March 2021, with officials encouraging SMEs that trade exclusively with the EU and are new to importing and exporting processes to apply.

The fund will help businesses steel themselves against the implementation of controls which will come into force from April and July 2021. The government is introducing these new controls piecemeal, allowing traders and hauliers time to regulate new processes. This means businesses don't need to complete new import declarations for up to six months, unless they are moving controlled goods.

SMEs that trade only with the EU, and are therefore new to importing and exporting processes, are encouraged to apply for grants of up to £2,000 for every trader. The grants can pay for practical support with importing and exporting, including training and professional advice to make sure businesses can continue trading effectively with the EU. To be eligible, organisations must import or export goods between Great Britain and the EU or between Great Britain and Northern Ireland.

Applications close on 30 June 2021 or earlier if all funding is distributed before this date.



One-third of businesses are not ready for off-payroll reforms

HMRC have confirmed that off-payroll changes will be coming into effect for large and medium sized businesses in the private sector from 6 April 2021, mirroring the system that has been in place in the public sector since 2017. While the treasury expects the changes to boost the government's coffers by around £3 billion, many have warned that it will create administrative problems and be costly for the workers involved.

Worryingly, recent research has highlighted that many organisations are not ready for the rollout. According to a recent survey conducted in late January by a financial firm – as per a survey of 605 "senior decision-makers" from mid-market businesses – more than one in every three (38%) respondents aren't prepared for the transition. Additionally, 13% revealed that they had done only "minimum preparation or administration" or were in the beginning phases of preparation, with a further 25% specifying they had arrangements in progress but were essentially not prepared for the cut-off time. Only just over half the companies surveyed (59%) believed they were ready for the upcoming changes.

The new IR35 rules can be hard to understand and are probably going to bring significant additional compliance burdens and employment tax considerations for many organisations. However, while the cut-off time is looming near, there is still time. Businesses should now be making a move to ensure they consider their position, appropriately evaluate the effects of the new standards, and prepare to manage them compliantly and effectively.

While the logic behind the regulations is generally straightforward, there are many practical considerations when applying the new regulations. These include ways to find contractors, the best and simplest way of assessing their employment status, handling potential disputes and correspondence with relevant parties, and potentially operating payroll withholding.

With less than a week to go, businesses should ensure they are prepared for the reforms. Although HMRC may take a light-handed approach to penalties, the financial dent from such fines will be next to nothing compared to the hit from the associated tax liabilities.

Non-resident purchasers to pay more SDLT on residential property from April 2021

The government has confirmed that it is pressing ahead with legislation to use a 2% surcharge in respect to purchases of residential property by "non-residents" from April 2021, despite the fact that it has extended the Stamp Duty Land Tax (SDLT) holiday for residential properties. This extra surcharge is going to apply to all residential properties over £40,000 acquired by non-residents and with completion after 31 March 2021. However, this will not apply to mixed use or commercial property (for example, with the purchase of six or more dwellings in a linked transaction). There are a couple of transitional rules in regards to contracts exchanged before 11 March 2020, for which the surcharge will not apply so long as there are no variations made to the underlying contracts.

Unfortunately, the definition of "non-resident" for SDLT is another new tax definition, which is complex and can require a mass of questions by and to tax advisors and therefore the conveyancing lawyers too. Where a sale is being made jointly, it will be necessary to look at each of the buyers' positions and to assess if they might be treated as non-resident. Where one purchaser would be treated as non-resident, then the surcharge will be applied to the entire transaction, probably with limited ability to claim a refund.

No doubt for all those international investors and individuals caught by this surcharge, there will be a rush to complete before 31 March 2021. Going forward, all buyers should expect more questions raised for working out the acceptable rate of SDLT. This surcharge is going to add even more complexity to an already-complex stamp duty tax legislation with multiple rates.

Optimum salary and dividends for 2021/22

When you manage and own a limited company, paying yourself the optimum level of remuneration and dividends ought to be one of the key items on your tax-planning list.

As a company director, it is often advisable to withdraw a lower salary and keep the remaining balance as dividends. The benefits of this strategy are as follows:

- Taking a salary at the minimum level triggers a national insurance record for your state pension and is below the personal allowance threshold;
- Your company can claim the cost of your salary as a corporation tax deduction, saving corporation tax at 19%;
- It is not necessary for your company to disburse all of its available profits. This means dividends can be withdrawn up to the limit required to meet personal expenses and therefore keep your tax bills on the lower side;
- National Insurance is not payable on dividends.

Option 1: If you wish to pay National Insurance Contributions (NIC) or have an additional employee in the company

You can pay yourself a monthly salary of **£1,047.50**, this would then leave you with **£37,700 per annum** (£31,092 for Scottish taxpayers) remaining in dividends for the basic-rate threshold. The amount of personal tax and PAYE on this would be **£3,038 per annum**, leaving you with a net monthly take home of **£3,906/month (£46,872/annum)**.

The main benefit of this option is that if you have more than one employee, due to the employer's allowance of £4,000, the company can save **£329** more than with option 2.

Option 2: No National Insurance contributions or the only employee in the company

You can pay yourself a monthly salary of **£797.33 (£9,568 per annum)**. This option would leave you with an annual dividend of **£40,702 per annum** (under the basic rate threshold). The amount of personal tax and PAYE payable on this would be **£2,778 per annum**, leaving you with a net monthly take home of **£3,966/month (£47,592/annum)**.

The benefit of this option is that no employee NICs will be due, but you will pay tax-deductible employer's NI of £100.46, because the threshold for the employer's contribution is £8,840 for the tax year. Despite this, your take home pay will be higher than paying yourself a salary of £8,840.

The above options are based on only taking dividends up to the basic-rate threshold, any further dividends would be taxed at 32.5% or 38.1%. However, if you are receiving child benefits, you need to ensure that your total income does not cross the £50,000 threshold, as that would mean an overall reduction of dividends by £270.

For more details, please speak to your account manager.

Capital Allowance Super-deduction 130% – how does it work?

What is it?

The capital allowance super-deduction is a 130% first-year allowance deduction for expenditure incurred in purchasing plant and machinery that would normally qualify for a main-rate writing down allowance of 18%.

When can you claim it?

You can claim it for expenditure incurred on or after 1 April 2021 up to and including 31 March 2023.

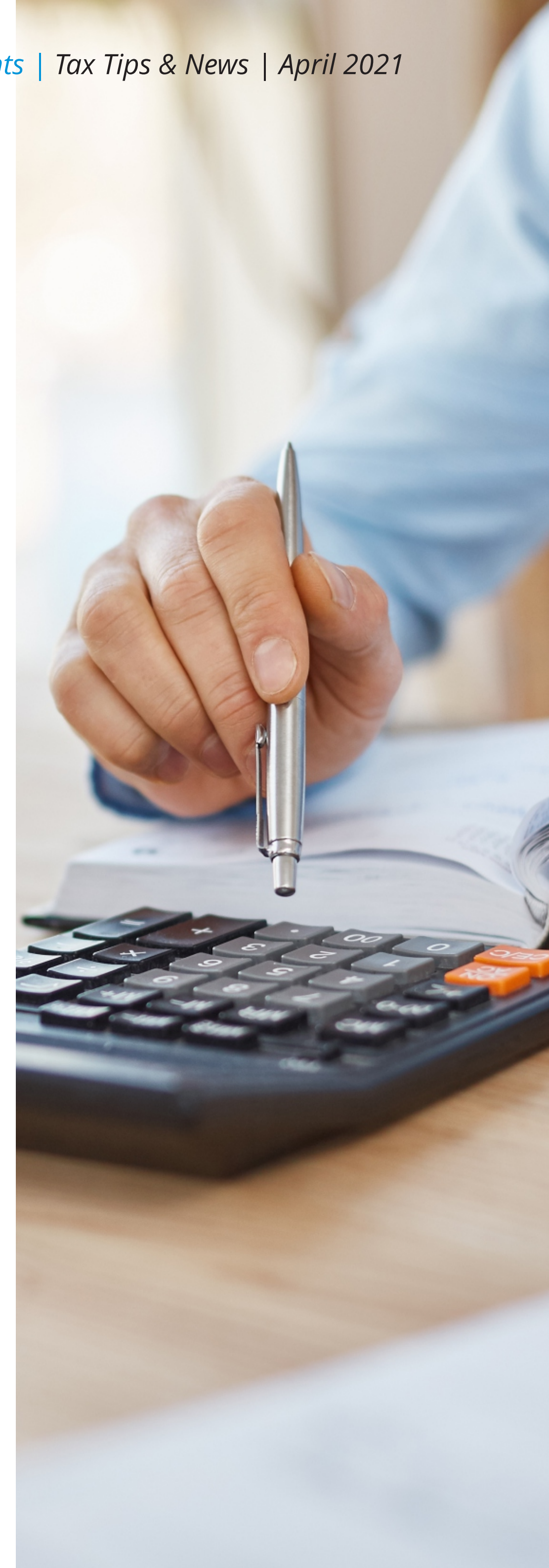
When is expenditure deemed to be incurred?

The general rule is that an amount of capital expenditure is to be treated as incurred as soon as there is an unconditional obligation to pay it.

What constitutes qualifying plant and machinery?

Assets allowed are those that would normally attract the writing down allowance of 18% or historically the 100% annual investment allowance (AIA). Possible examples include:

- Zero emissions goods vehicles; or
- New plant, machinery or equipment acquired by a small and medium-sized company;
- Driving instructor cars with dual control, black cabs, double cab pick-ups with a payload of one tonne or more – as long as the Co2 emissions do not exceed 50g/km.



What does not qualify?

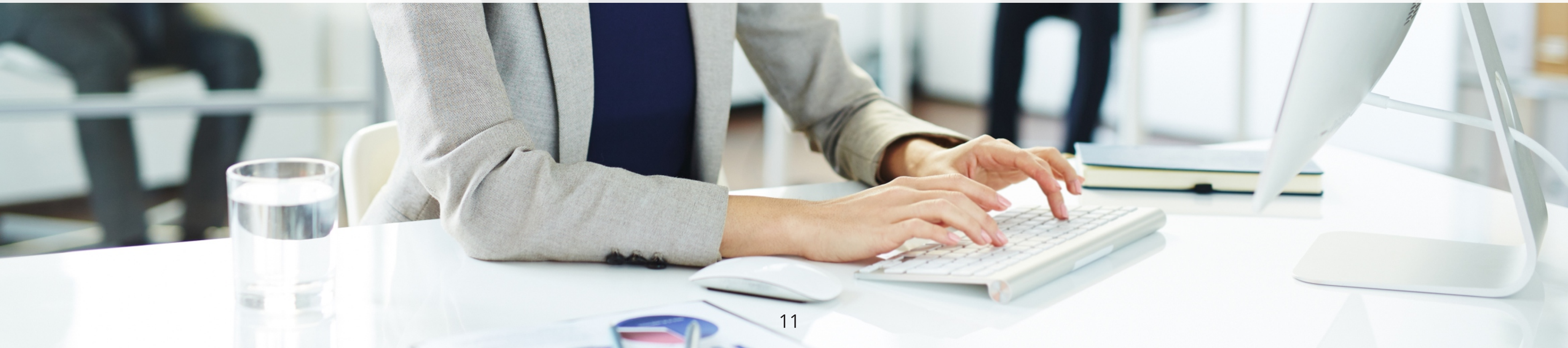
- Second-hand assets
- Vehicles other than those already stated
- Long-life asset expenditure
- Connected party transactions
- Expenditure incurred on plant or machinery to be leased out
- Any expenditure incurred on an asset that would attract the special rate writing down allowance of 6%.

Things worth noting

Avoid buying any assets prior to 1 April 2021. If the asset is deemed to have been disposed of (e.g. sold, destroyed and insurance monies received, no longer used in the trade, etc.), a balancing tax charge could arise on disposal.

If the asset is deemed disposed of at any time up to and including 31 March 2023, then the disposal value to be used would be increased by a further 30% which could increase the tax due.

Final Note: The allowance is not available to landlords investing in the construction of a new property or the refurbishment of existing premises.



Domicile status—what is it, and why does it matter?

Domicile is a general legal concept. Generally, you will be domiciled within the country where you consider your "roots" to be or the country where you have your permanent home. The term domicile is not equivalent to nationality, citizenship or residence, and you can be classed as domiciled in a different country to where you are resident.

Every person possesses a domicile, usually acquired at birth, although it is not necessarily the country that you were born in, and it is only possible to be a domicile of one country at any given time.

Why is domicile status important?

It is important to know where you are domiciled, because it can affect your tax position. If you are a resident and you are domiciled within the UK, then you have to pay tax in the UK on your worldwide income and gains. Further, your estate will be subject to Inheritance Tax (IHT) on your worldwide assets.

If you are a resident of the United Kingdom but not domiciled in the UK, there are other important rules that may be applied to your foreign income and gains and only your UK situated assets will be subject to IHT.

The following bullet points sum up your tax position in various situations:

- If you are a UK resident and UK domiciled (or classed as UK domiciled): You need to pay UK tax on all of your worldwide income and gains, as they will be considered as arising in the UK regardless of whether earned in the UK or abroad. This is recognised as the arising basis of taxation.
- If you are a UK resident and not domiciled within the UK: You need to pay UK tax on your UK-sourced income and gains arising in the UK only or income that has been remitted here. You can choose to pay UK tax on your foreign income and foreign gains on either the arising basis or the remittance basis of taxation.
- There is no charge to claim the remittance for the first seven years of UK residence. After that, an annual charge of £30,000 applies (once resident for seven of the last nine tax years) and £60,000 (once resident for 12 of last 14 tax years).
- The remittance basis is not available once resident for 15 of the last 20 tax years (deemed domiciled).

Note: The remittance basis applies automatically if you have less than £2,000 unremitted income and gains, otherwise you will need to choose on a year-by-year basis.

Form P87 – tax relief for employees and temporary workers

Do you usually pay for work-related expenses that aren't reimbursed by your employer? Here is some good news: You will be able to get tax relief by filling out HMRC form P87.

You can use form P87 to claim tax relief if:

- You are an employee;
- If your expenses for the tax year were less than £2,500

You cannot use form P87 if:

- You are self-employed;
- You have already completed a self-assessment tax return;
- If your expenses exceed £2,500 in any given year;
- If you have not paid any tax throughout the year.

You are able to claim tax relief for the following work-related expenses:

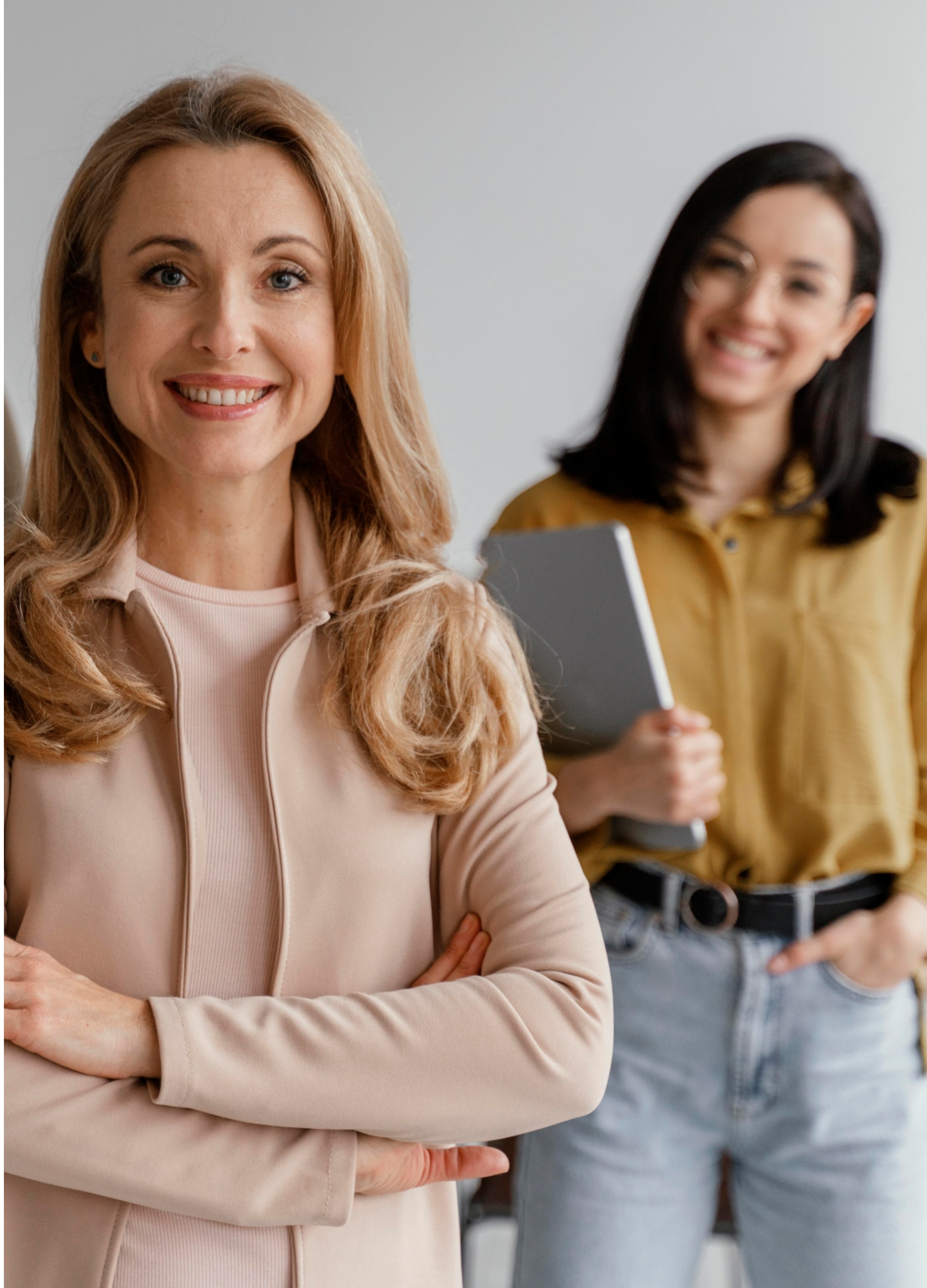
- Distance travelled using your own vehicle (car, van, motorcycle or cycle). However, you must note that you cannot claim for mileage or travel between your home and a permanent workplace – deemed "ordinary commuting".
- Actual fuel costs spent on business journeys in a company vehicle.
- Professional fees or subscriptions paid to approved professional organisations.
- Hotel and subsistence expenses and business phone expenses in hotels.
- Parking, toll fees and public transport costs.
- Expenses associated with working from home.
- Cleaning, repairs, or replacement of specialist clothing and small tools you need in order to perform your duties.

Note: If the employer has not reimbursed their employee the additional costs incurred by working from home on a regular basis due to coronavirus, the employee may claim a deduction. This relaxation to the Section 336 rules of ITEPA 2003 will apply until 5 April 2021 as long the employee is not working from home by choice. The consent of the employer is required; and the reimbursement is contingent on the employer deciding that the employee can work from home.

You can file your P87 form online or by post. You will require the following information to hand:

- Your national insurance number
- Your employee number and employer's PAYE reference
- Details of your allowable expenses
- Details of employer contributions towards your expenses

You will have to keep records for all the expenses you are claiming, for, although you do not have to provide these with your P87 form, HMRC may request you provide them with evidence later on. If claiming business mileage, you will need to have records of the locations and distances you travelled and records of all work-related journeys.



Key Dates and Deadlines

01 April 2021
- Corporation tax payment due for year ending 31 May 2020 for those companies not liable to pay by instalments

05 April 2021
- Deadline for claiming your PAYE tax refund for the 2016/17 tax year

06 April 2021
- First day of the new 2021/22 tax year

07 April 2021
- Due date for February 2021 VAT returns unless exempted

14 April 2021
- Return and payment of CT61 tax due for companies paying interest, royalties, etc. for quarter ending 31 March

19 April 2021
- Monthly postal PAYE/class 1 NICs/student loan payment: If you pay by cheque through the post, monthly payments due for PAYE, class 1 NICs and student loan deductions from March 2021
- Construction Industry Scheme (CIS) return: monthly return due for the period up to the 5th of the previous month

22 April 2021
- Monthly electronic PAYE/class 1 NICs/student loan payment: if paying electronically, pay PAYE, class 1 NICs, student loan deductions and deductions from payments to subcontractors for the month up to the 5th of this month (April)
- Deadline for the final electronic payments of PAYE tax and Class 1 NICs for the previous tax year to reach HMRC

30 April 2021
- Deadline for submission of ATED return and payment of any charge due for the current tax year
- After this date, daily penalties will start to be charged for any unfiled self-assessment (SA) tax returns which were due on 31 January 2021
- Corporation tax return: Filing deadline for corporation tax return self-assessment form CT600 for the period ending 31 April 2020 to be submitted to HMRC
- Company accounts filing deadline: deadline for filing your company accounts with Companies House for the period ending 31 July 2020

Awards & Accreditations

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2020

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The Contracting Awards2020
HIGHLY COMMENDED

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

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