

A·W·G

WARREN  
& Son.



NEWSLETTER

*August 2019*



## *Saving Tax*

There are four basic ways to reduce a tax liability, by –

1. A tax allowance or tax exemption
2. A tax deferral
3. Receiving income which is itself not taxable
4. Incurring a tax allowable cost – for a higher rate taxpayer a pound spent will save 40 pence in tax, but it is how the remaining 60 pence is spent that is relevant. There is of course no overall saving if the 60 pence is wasted. To achieve a real saving the 60 pence must either produce more income itself, or increase (by at least that amount) the value of an asset, that does not itself depreciate in the future (always assess the risk of the asset reducing in value).

**Income tax allowances** and lower bands of tax – spreading of income within the family – transfer of 10% of unused personal allowance to spouse (Personal, Savings, Dividend, Rent, Rent a room and Sundry income allowance)

**Tax free** income – eg gambling, prizes, gifts and some state benefits

**Incur costs** that are deductible from taxable income – Pensions (HR), Gift aid (HR), EIS, SEIS & VCT (other tax reliefs include certain losses, loan interest, maintenance payments, gifts to the nation, forestry, community investment, blind persons & fostering allowances)

**Investments** – tax free - eg ISA, Saving certificates and Premium bonds

**Rentals** – possible tax advantage through incorporation

**Employment** – minimal tax savings, mainly fixed allowances & tax free BiK

**Self-employment** – incur costs that appreciate and/or earn additional profits – annual investment allowance – additional ‘trading’ benefits (ER, BPR & SSE)

**Limited Companies** – as self-employment, plus judicious use of salary and dividend, then balance at CT rates – additional trading benefits (nb - retained profits defer a future tax liability)

**Capital gains** – exemptions and deferrals – jointly owned assets can double an exemption and possibly result in a lower rate of CGT

**Inheritance tax** – Annual exemption (also for previous year if not already used) – gifts made over seven years previously (including to a Trust) – Gifts out of income – Preserving Business property relief and Agricultural property relief

**Impractical exemptions** – death, emigration & spotlights (*see March Newsletter*)

### Low emission cars

The first thing to decide is what is the definition of a low emission car. To achieve the best rate for Road tax the answer is nil emissions. For the best Benefit in Kind, and for the best Capital Allowance, the rate is under 50 Gm/Km. The London Congestion charge is nil up to 80 Gm/Km. Leased cars suffer a 15% disallowance if the emissions are over 110 Gm/Km. The lowest VAT disallowance on fuel goes as high as 120 Gm/Km. Is that joined up Government ? Is the BiK rate for next year for a Hybrid car similar, I hear you ask? No –



Emissions	Electric Only Range	Petrol Hybrid	Diesel Hybrid
Nil	100%	2%	2%
Under 50Gm/Km	130 + miles	2%	6%
Under 50Gm/Km	70 - 129 miles	5%	9%
Under 50Gm/Km	40 - 69 miles	8%	12%
Under 50Gm/Km	30 - 39 miles	12%	16%
Under 50Gm/Km	< 30 miles	14%	18%

### Possibility of a Labour government?

Generally a Labour Government will result in higher taxes, and if you consider that this is a distinct possibility, now is the time to act.

The suggestions that have so far been made include –

1. Reducing the Inheritance Tax allowance from £325,000 to £125,000
2. Increasing Capital Gains tax rates significantly
3. Charging Capital Gains tax on sales of ones own residence
4. Reduce the starting point for the 45% tax rate from £150,000 to £80,000
5. Significant increase in the Corporation tax rate

One of the advantages of those who run their business through a Limited Company is that the owners can precisely determine their own personal incomes from it. As Directors they can choose their salary and as shareholders they can set the dividend to suit themselves.



### *Property – Tax changes in April 2020 –*

1. 30 days to notify HMRC of sale of property
2. CGT payable within 30 days of sale
3. SDLT payment reduced from 28 to 14 days
4. 18 months PPR extension reduced to 9 months
5. Loan Interest Taper relief ends
6. Lettings allowance requires tenant in joint occupation
7. Final £50,000 increase in the IHT residence allowance to £175,000.



### *Off-Payroll working*

From April 2020 any person providing a service to a Company (which has a turnover in excess of £10 million) will have to be treated as an employee. The new rules apply whether the individual is offering their services direct or through a personal service Company. The new rules apply from next April irrespective of any contract signed before this date. Further details can be found at –

<https://www.gov.uk/government/consultations/off-payroll-working-rules-from-april-2020>

### *Reverse charge – VAT*

A measure to prevent VAT fraud in the Construction industry is being introduced with effect from 1st October 2019. It only affects transactions between businesses which are both registered for VAT. From this date the supplier will not be charging VAT to the contractor or subcontractor. The new charge does not affect the final customer or end user. For more details visit –

<https://www.gov.uk/guidance/vat-domestic-reverse-charge-for-building-and-construction-services>

### *Companies House Services*

We provide Company secretarial services for many clients, and for each of them we have signed the Company up for the 'PROOF' scheme. This is a Companies House service whereby they will not accept any paper documents and each form has to be submitted to them electronically using an 'Authentication Code'. If a Company does not adopt this system it is possible for a fraudster to send in a change of registered address form, followed by a form changing the Directors. They then notify your Bank and you've lost your money.

<https://www.gov.uk/guidance/protect-your-company-from-corporate-identity-theft>

Another useful service provided by Companies House is the ability to apply for their 'follow' service. They will then notify you of any form or accounts submitted to them for the Company or Companies that you select. You should first select all major customers so that you can for example check on any change of Directors or registered office and more importantly their accounts. Then you should select your major suppliers so that you can

resource alternative supplies if they become financially unsound.

<https://www.gov.uk/guidance/search-the-companies-house-register#follow-companies-for-free>

Incidentally a similar service is offered by the Land Registry, who will monitor up to ten properties and notify you if there is any significant activity relating to any of the properties

<https://www.gov.uk/guidance/property-alert>



### *Power of Attorney*

A lasting Power of Attorney can be divided into three sections - financial, health and any other aspect relevant to the individual, which can be their business. Different people can be nominated for each section and they can be put into effect at different times.

The main exemption that one wishes to preserve is Business Property relief or its close relation Agricultural Property relief. Subject to certain conditions this can pass through ones estate without incurring an Inheritance tax liability. One of the conditions is that the individual is continuing to trade at the time of their death. If illness or disability, and this includes dementia, prevents the business from continuing this valuable relief may be lost. By giving Power of Attorney to say a relative it should help to protect this relief.

A lasting Power of Attorney can also be useful to protect Entrepreneur relief which can halve the rate of Capital Gains tax on the sale of a trading business. Irrespective of both these tax reliefs it is in any case vital to create a Power of Attorney because without it, in circumstances where one lacks mental capacity, the Court of Protection will appoint someone of their choice to look after your affairs.

### *Ken Rock*

If I knew that Ken was not able to read this, then I would have been much more complimentary. He joined us eighteen years ago, and has now decided to retire, having reached an age which is closer to seventy than sixty. I can truly say that he has been a true Rock to the practice. In other words a person that you can always rely on for help and support (well that's what the dictionary says). Thank you Ken

In an endeavour to cram as much information as possible into this Newsletter I have used numerous anagrams, and only limited explanations.  
For further clarification please either phone or e-mail us.



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This newsletter deals with a number of topics which, it is hoped, will be of general interest to clients. However, in the space available it is impossible to mention all the points which may be relevant in individual cases, so please contact us for personal advice on your own affairs.

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