

A.W.G

WARREN
& Son.



NEWSLETTER

March 2020

We have delayed this Newsletter so that we can include a summary of the recent Budget. The main change relates to several short term reliefs in connection with the Coronavirus. Also there are large reductions in rates for small businesses. National Insurance is the other significant change with the starting point increasing to £790 per month from April. The Employment allowance is also increasing from £3,000 to £4,000. Most of the reliefs and allowances for income tax remain unchanged.



This is a brief summary -

INCOME TAX	2020/21	2019/20
Savings Interest allowance - Non taxpayer	5,000	5,000
Personal savings allowance - Non & BR taxpayer	1,000	1,000
- HR / AR - " -	£500 / £0	£500 / £0
Basic Rate (%)	20	20
the next £....	37,500	37,500
Higher Rate (%)	40	40
starts at (including personal allowance)	50,000	50,000
tax on the above income	7,500	7,500
Additional Rate (%)	45	45
starts at	150,000	150,000
Tax on Divi - BR taxpayer - after allowance	7.5%	7.5%
Tax on Divi - HR (-- " -- -- " --) & s.455	32.5%	32.5%
Tax on Divi - AR (-- " -- -- " --)	38.1%	38.1%
Dividend Allowance	2,000	2,000
Personal Allowance	12,500	12,500
- " - (spouse transfer) (10% of PA)	1,255	1,255
- " - (restriction of)	100,000	100,000
Trading allowance	1,000	1,000
Property allowance	1,000	1,000
Rent a room	7,500	7,500
NATIONAL INSURANCE	2020/21	2019/20
Class 1 - max before NI pm. (rounded down)	790	715
Class1 (Lower Earnings Limit) 'ees exempt pw. to	120	118
Nil rate band pw. to (primary threshold)	185	166
excess: 'ees -to max. earnings (%)	12.00	12.00
Employers allowance	4,000	3,000
excess: 'ers - no max. - inc. NI 1A & 1B (%)	13.80	13.80

continued overleaf

<i>cont.</i> NATIONAL INSURANCE	2020/21	2019/20
Class 2 Contribution	3.05	3.00
small earnings exemption (SEE)	6,475	6,365
Class 4 - min earnings (LPL)	9,500	8,632
rate up to max earnings (%)	9.00	9.00
class 4 payable on UPL	3,645	3,725
Class 1 ('ees) & 4 (UPL) - max earnings	50,000	50,000
rate above max earnings & UPL (%)	2.00	2.00

CORPORATION TAX	2020/21	2019/20
Standard rate	19%	19%

CAPITAL GAINS TAX Annual exemption	12,000	12,300
BR taxpayers % (+8% for residential)	10	10
HR taxpayers % (-- " --)	20	20
Entrepreneur rate % upper limit = £1m	10	10

INHERITANCE TAX Nil Rate Band	325,000	325,000
Additional residence allowance (£2m max)	175,000	150,000
Annual exemption for gifts	3,000	3,000



Reminders from our last Newsletter

Off Payroll Working – changes from this April -

Despite significant pressure particularly from the construction industry, service industries and the professions, HMRC is determined to introduce what they call 'off payroll working' this April. This is aimed primarily at sub contractors who work through a personal service company, but it can affect anyone within the IR35 legislation. HMRC made a **review** prior to the introduction of the new scheme, which only made very minor changes to that previously announced, although one was that they will not be charging penalties for inaccuracies in the first year, unless they were deliberate. HMRC have issued guidance to their own Inspectors of Taxes on what questions to ask the taxpayer, be it the contractor or the worker. Their internal manual **ESM0588** makes interesting reading.

Investment Property sales - changes from this April -

- Tax free last 18 months of gain reduced to 9 months
- Additional allowance of up to £40k for having lived in a house and rented it being cancelled, unless both happened at the same time
- A new Tax Return, and payment of the tax on any gain, has to be made within 30 days of a sale

What else in April 2020 - From 6 April 2020 you can only claim EA if your total (secondary) Class 1 National Insurance contributions (NICs) liability is below £100,000 in the tax year before the year of claim

Benefits in kind

A reminder that, for the tax year 2020/21, there is no benefit in kind for employees provided with an electric car (not hybrids). Also if purchased in that year 100% capital allowances are available against the profits of the business.

In our last newsletter we also mentioned 'trivial benefits' for employees. Another useful benefit is a long service award. It must be tangible gift, not cash/vouchers, and given after a minimum of 20 years service. The value must not exceed £50 for each year of service. A second award can then be made after another 10 years. This benefit is also available to a director so why not spend £1,000 on a nice holiday, and take ones spouse, if they are also a director or employee.

Bye bye Ken, Hello Kirstie

Whilst on the topic of payroll taxes can I take this opportunity of welcoming Kirstie Baker to our team. Unfortunately she just missed out, by a week or so, on a mention in our last newsletter. She has fitted in very well and has introduced her extensive experience not just in payroll, but with an accountancy qualification as well.

Insurance brokers

There are now so many areas of life where our choice is now restricted to a computer, and where personal service had disappeared. A bank manager is a good example. On line you will find the cheapest insurance but not the best or even the best value for money. There are still a few good insurance brokers who provide tailor made advice, and I strongly recommend that you use one. However I fear that they may be a dying breed.



Company compliance

It would take several newsletters to list all the responsibilities of a director of any limited Company.

However to summarise the main categories -



1. To comply with all legislation relevant to the Company
2. In particular to comply with Company Law. This includes maintaining written and signed minutes of all Directors meeting, and of those of the Shareholders.
3. To put the interests of the Company above those of the Shareholders, Directors, Employees Suppliers and Customers. However if the Company is insolvent the Creditors have a higher priority.
4. To comply with the Articles of association of the Company. This document is specifically tailored to the requirements of each individual Company. It can be changed with a 75% majority of the Shareholders. It comprises -
 - Appointment of directors
 - Duties and rights of directors
 - Meetings of directors & shareholders
 - Issue & transfer of shares
 - Dividends

Buying a home for children

Create 'beneficial' ownership in the name of the child, with the parents being the legal owners/trustees.

A 'Declaration of Trust', or bare Trust, can be made and a note of this made at the Land Registry. This document can state the percentage owned by the beneficial owners and the percentage owned by the legal owners. A typical circumstance would be



where the child was unable to obtain a mortgage, but then the child made the repayments on the father's mortgage. Even if the Declaration of Trust was not actually created, it could be argued that there was an 'implied Trust'. A potential problem is that HMRC may contend that the mortgage repayments by the child were in effect rent, and that the eventual transfer to the child was a Capital gain. Interestingly the taxpayer's argument could be that, using the principle of 'substance over form' that the agreements were a sham and that in reality the child purchased the property. See HMRC manual [TSEM9520](#). Whether or not the SDLT surcharge would apply, depends on situation of the beneficial owners.

Unfortunately there is no easy route for giving a property to a child which one already owns, unless of course it is a recent purchase with a minimal increase in value, or beneficial

ownership in the child's name was put in place when the property was purchased. A possible way to avoid paying Capital gains Tax now, is to transfer the property into a discretionary Trust using the hold over relief available under s.260 TCGA 1979. However this only defers the tax, which must be paid eventually on the disposal of the property.

Making Tax Digital

The introduction last April was a huge change for all relevant business including accountants. However most of us have got through it unscathed. However HMRC have until now been quite lenient where we have not complied fully with the new system. From this April they will be taking their gloves off and charging penalties for all instances of non compliance. HMRC have recently **published a document** outlining the procedure for extending Making Tax Digital to the preparation of annual

accounts and the tax return. I'm sure that you will be pleased to learn that you can sign up now. The only conditions are that you are a UK resident, you are registered for self assessment and that all your tax affairs are up to date. At the moment there is just one restriction, being that you can only sign up if you have just one business and/or rental income. If you have any additional source of income your start date will be advised at some time in the future. More importantly HMRC

have not yet given a date when the new procedure will be made compulsory, but possibly it may be April 2022.



Child Benefit

Child benefit is tax-free unless a single or either parent, spouse, social partner has income exceeding £50k. The benefit is restricted by taxation (through self-assessment or code number adjustment) if one's income is between £50k and £60k. By £60k child benefit has been totally withdrawn. The mother receives the child benefit, but the high earner repays it.

To avoid having to repay the benefit it is possible to disclaim the child benefit. However new mothers must initially register for child benefit, as this then attracts the Government's 'Home Responsibilities Protection' (HRP). HRP pays the mother's voluntary National Insurance contributions for the first twelve years of the child's life. This notional payment can be checked at - <http://www.gov.uk/state-pension-statement>



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.

Martyn J. G. Warren

Chartered Accountant - mw@awgw.co.uk

Kandy Pitrola

FCCA, FMAAT, ATT - kp@awgw.co.uk

Simon Jeremy

FCCA, BA (Hons) - sj@awgw.co.uk

Nick Metallinos

AFA - nm@awgw.co.uk

Kirstie Baker

MAAT, ACIPP - kirstie@awgw.co.uk

Lorraine Clutterbuck-Jones

AAT - lcj@awgw.co.uk

Gail Kurowski

Administration & Company Secretarial - gail@awgw.co.uk

Debbie Lawes

debbie@awgw.co.uk

A.W.G. WARREN & SON
CHARTERED ACCOUNTANTS

74 Wyndham Crescent, Canton, Cardiff, CF11 9EF

Tel: 029 20220162 / 029 20390914

Fax: 029 20340189

Website: www.awgw.co.uk