

CATHERINE A. WILLIAMS LTD.

— CHARTERED ACCOUNTANT —

March 2020 Newsletter and 2019/20 Tax Yearend Guide



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As we approach the end of another tax year, we find ourselves in unprecedented territory with the situation changing rapidly. Businesses and individuals face challenges like never before. We are optimistic for the future, if we can get through the here and now to that point. Take the government guidance and help, make decisions logically for short term change but with long term ambitions. It is in our nature, as business owners, to be adaptable and resourceful. Right now we will need all our skills, determination, and resilience to cope. We at Catherine A Williams Limited are here to help and guide you through. There are many steps which can be taken now to assist cash flow, minimise your exposure and optimise choices for your future. We have included details in this newsletter of the current government assistance available but will keep updating information on the website and providing individual help and support as needed. Most importantly, stay safe and well .

Coronavirus Job Retention Scheme instead of Redundancy

Under the new Coronavirus Job Retention scheme, a government GRANT will cover 80% of the salary of PAYE employees who would otherwise be laid off during this crisis. The scheme is open to ANY employer in the country will cover the cost of wages backdated to the 1st March 2020 and will be open before the end of April. It will continue for at least three months, it can include workers who were in employment on the 28/29th February 2020.

HMRC is urgently working to set up the system of reimbursement, as the existing PAYE & National Insurance system is not set up to facilitate payments back to employers.

It is understood that the government believes that the VAT payment deferral announcement will enable businesses to have the cash flow in place for the March pay runs to be made and the scheme should be in place for the April pay runs.

Unfortunately that won't help businesses under the VAT threshold with employees, it is hoped that the Coronavirus business interruption loans available from the 23rd March 2020 will assist with short term cash flow for those businesses

To claim under the Scheme employers will need to:

- 1) Designate affected employees as 'Furloughed' workers and notify employees of this change
- 2) Submit information to HMRC about employees that have been furloughed and their earnings through a new online portal. HMRC will set out further details in due course
- 3) HMRC will reimburse 80% of furloughed workers wage costs up to a cap of £2500 per month per employee

Employees will remain employed while furloughed. As an employer you could choose to fund the differences between this payment and their salary, but you do not have to. An employee should not undertake work for the employer during this period. We await guidance on holiday accrual entitlement during the Furloughed period and whether staff on sick leave can be furloughed. It is possible to furlough some staff and not others. Treating staff as Furloughed might not suit all businesses which are not completely shut. Short time working where hours of work are reduced is another option but check the contract of employment to ensure that you can do it.

VAT Payments deferred until 30th June 2020

The next quarter of VAT payments will be deferred, meaning businesses will not need to make VAT payments until the end of June 2020. Businesses will then have until the end of the 2020/21 tax year i.e. to the 5th April 2021 to settle any liabilities accumulated during the deferral period

The deferral is applied AUTOMATICALLY and businesses do not need to apply for it. If you are normally in a refund or reclaim situation you will get paid as normal.

The deferral will apply from the 20th March 2020 until the 30th June 2020. It means VAT payments for the quarters or monthly returns for:

29th February 2020 – due for payment by the 10th April 2020 can be deferred

31st March 2020 – due for payment by the 10th May 2020 can be deferred

30th April 2020 – due for payment by the 10th June 2020 can be deferred

*****VAT returns still need to be filed*** and still be filed under the Making Tax Digital rules if applicable. We believe that for those, on the VAT Direct Debit scheme, it will mean HMRC should not request payment, but we are suggesting clients with February 2020 VAT quarters consider stopping the VAT DD with their own banks.**

Business Rates Relief/GRANTS

- If you get small business rates relief then you will receive 100% business rates relief for 2020/21—AUTOMATIC
- If you are in receipt of the retail discount of up to 100% then this has been expanded to the hospitality and leisure industry—NOT AUTOMATIC Contact local authority
- Small Business CASH GRANT of £10,000 for all businesses eligible to small business rates relief—AUTOMATIC
- Cash Grant of £25,000 for retail, hospitality and leisure businesses with a rateable value of £15,000 to £51,000—AUTOMATIC

CORONAVIRUS

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THE INSTITUTE OF CHARTERED ACCOUNTANTS
IN ENGLAND AND WALES

Deferral of Self Assessment Income Tax Payments due July 2020

Income tax payments which are due by the 31st July 2020, under self assessment will now be deferred until January 2021. This deferral is AUTOMATIC no application is required. NO interest or penalties or interest for late payment will be charged in the deferral period. It applies to all who complete a self assessment tax return not just the self employed and directors. It will therefore include those who complete a return for other reasons i.e. individuals who have rental income, pension income or dividend income from share portfolios.

It may still make sense to get your tax return prepared to HMRC as early as possible after the 5th April 2020 for several reasons. Lenders may require the most up-to-date trading information to assist with the new loans. Those self employed individuals who have seen a catastrophic drop in income in the last quarter of the year, potentially might be in a refund position having made their January 2020 payment on account having previously expected a normal year to the 5th April 2020.

Sick Pay

If you are sick or staying at home because of COVID19 you can now claim Statutory Sick Pay. Legislation was bought in as part of the budget allowing Statutory Sick pay to be paid from day 1 rather than day 4 of the absence. You don't need to provide a fit (sick) note you can get an isolation note from NHS 111

Mortgage Lenders and Landlords whose tenants are experiencing financial difficulties because of Covid19 need to offer a payment holiday for 3 months

Emergency legislation will be implemented so that landlords will not be able to start proceedings to evict tenants for at least a 3 month period. This applies to private and social renters

For individuals - if you think you may need financial support from your local authority you may be entitled to support from the hardship fund. Most of the funding will be used to provide householders council tax relief - Any questions please contact your local authority.

Coronavirus Scams

Scammers have been contacting people pretending to be from banks offering financial help like late fees on credit cards and payment holidays on loans as a way of getting you to reveal your card and bank details. In addition emails are appearing to be from the government offering money to help you though this time and messages are coming through offering you tax rebates. It is important that you remain vigilant at all times and make sure than any calls and emails you are getting are legitimate and don't give out any personal information.

**Special Coronavirus HMRC
time to pay telephone number
for help and advice
0800 0159 559**

PROPERTY SALES—BIG CHANGES

From the 6th April 2020 - There are big changes to the capital gains rules around selling a property. You will only have 30 days from the date of completion to tell HMRC and pay any Capital Gains Tax owed.

It applies to :

- Property not used as your main home
- Buy to let or rental properties
- Holiday Homes and Furnished Holiday Lets
- Inherited property not used as your main residence

The only situations when a report and payment will not be due is if

- You meet the criteria for full Principle Private Residence relief
- The sale was to spouse or civil partner
- You sold the property at a loss
- The gain including all other disposals is within your capital gains tax free allowance

Before you Sell a property therefore it is important to collate the information needed to report the gain including the following:

- Original Purchase completion statement
- Details of purchase costs including stamp duty, searches and solicitors fees
- Details of enhancement costs on the property, renovation invoices, costs, and plans
- Timeline detailing different periods and types of occupation

HMRC are going to launch a new separate online service to report and pay the capital gains tax owed.

Watch—the penalties are more onerous as there are both filing and payment penalties. Filing penalties start at a £100 immediate penalty but if the return is still not filed within 6 months of the filing deadline then the penalty higher or £300 or 5% of the tax.

Please therefore tell us BEFORE you are considering selling a property so we have plenty of time to prepare.



OTHER PROPERTY MATTERS

Mortgage Interest Restrictions

2017/18 saw the first year of the Mortgage Interest Restrictions, which are being phased in over 4 years with the full 100% restriction applying from 20/21. What it means is that interest and finance costs are being restricted so they will only attract a maximum of 20% tax relief. The restriction applies to residential property and doesn't apply to commercial property or furnished holiday lettings.

Principle Private Residence (PPR) Relief changes

From April 2020, the private residence relief period of exemption changes with the final period of exemption reducing from 18 to only 9 months. This allows the final period of ownership of a second property, previously a main residence, to be covered by PPR even if that second property is no longer the only or main residence during this last exemption period.

Letting Relief

Letting relief is also due to disappear from April 2020. This is a lucrative capital gains tax relief on property which has been owned as Principle Private Residence at some stage and then let out as a residential property. Up to a maximum of £40k of capital gains relief is currently available per owner. Going forward, this relief will only apply where the owner is in shared occupancy with a tenant.



The budget has been somewhat overshadowed by Covid 19 and the subsequent measures brought in as a result. Despite speculation no major changes were announced to inheritance tax or capital gains tax. The key and relevant budget announcements are summarised below:

Individuals

- National Insurance—The threshold at which the employees and the self employed must pay National Insurance increases significantly to £9500 from the 6th April 2020. The rate at which employers start paying National Insurance remains much lower at £8628 for employers.
- Pension Life Time Allowance - increases to £1,073,000.
- Pension Annual allowance remains at £40,000 per year but the taper threshold raised by £90,000, meaning only those earning over £200,000 per annum will see tapering of their £40k annual pension allowance. Good news for public sector workers particularly in the NHS.
- Entrepreneurs Relief. The lifetime allowance has been reduced to £1m from £10m from the 11th March 2020.

NO changes to the following Key Rates

- Corporation Tax Held at 19% not reduced to the 17% as planned.
- Employers and Employees National Insurance Rates unchanged.
- Dividend allowance remains at £2000.
- Savings Allowance remains at £1000 for a basic rate tax payer and £5000 for a higher rate tax payer
- Income Tax Rates unchanged.
- Personal Allowance remains at £12500 for 20/21 and no change in the higher rate tax threshold set at £50,000.
- NO changes in VAT rates left at 20% and the registration Thresholds left at £85,000.

Businesses

Employment Allowance for employers National Insurance increases for the 2020/21 tax year from £3000 to £4000. The Employment Allowance reform rules mean larger businesses with greater than £100k employers National Insurance bill are no longer entitled to it.

Annual rate of relief for structures and Buildings Allowance will increase from 2% to 3% from April 2020

Making Tax digital currently on hold - only announcement was that government will publish an evaluation on the introduction of making tax digital for VAT.

Annual investment allowance - The current limit of 100% tax relief for capital equipment purchases of up to £1m runs until the 31st December 2020. In the absence of further information it will then revert back to the £200,000 limit on the 1st January 2021.

Off Payroll working - The new IR35 in the private sector now referred to as off-payroll working due to be introduced from 6th April 2020 has been delayed at the very last minute until April 2021. Good news for many contractors.

ISA ALLOWANCE

- If you are planning to use this years £20,000 ISA allowance you need to do so by the 5th April 2020, there is no rollover of the allowance
- Those saving for their first home should consider the Lifetime Isa. For every £200 a first time buyer saves the government will add a £50 bonus up to a maximum of £3000. It can also be used to fund retirement
- Under 18 or those who want to save on behalf of a minor can put up to £4368 in to a Junior ISA



- Trading and Property Income Allowances of £1000 per annum are available. Individuals with income below the £1000 limit do not need to declare or pay tax on that income. If you do a tax return anyway due to other income you still need to claim the allowance. Those with Property or Trading income over the allowance can deduct their actual expenses as normal or simply deduct the relevant allowance. Useful allowances for tutors and those letting out their property once a year for events e.g. Greenman
- Charitable donations can in some circumstances be carried back to attract tax relief in the previous tax year
- Married Couples Allowance is more beneficial than the Marriage Allowance as it can reduce your tax bill by up to £869.50 but is only available if one spouse was born before 6th April 1935
- Marriage Allowance of £1250 for 19/20 can be transferred between spouses but only where neither spouse pays tax at higher rate. Worth up to £250 as a tax saving
- Pension Contributions up to £2880 net (£3600 Gross) can be made for all individuals with no income including children
- £85k Bank Limit—Remember under the Financial Services Compensation Scheme the first £85,000 in an individual account or £170,000 in a joint account is protected. Make sure the risk is spread
- Voluntary National Insurance—the 5th April 2020 is the deadline for making voluntary class 2 or class 3 contributions for the 2013/14 tax year, if you have any missing years in your national insurance record towards state pension
- Joint Property Election - Where assets are owned in joint names any income is deemed to be shared equally unless an election to change that split in a more tax favourable way is made to HMRC



EMPLOYEES

- **Minimum Wage** is still set to rise from the 1st April 2020. Reminder the increase is not in line with the end of the tax year 5th April 2020. It is a rise of 6.2%
- **National Living Wages** is a voluntary benchmark level for those over 25 years. It is set at £9.30 (or £10.75 for those living in London)
- **Sick pay** rises to £95.85 per week from April 2020 (2019/20: £94.25)
- **Statutory Maternity Pay** is paid for 39 weeks at 90% of your average earnings for first 6 weeks then the lower of £151.20 (2019/20: £145.18) or 90% of earnings for the next 33 weeks
- **Auto Enrolment Pension Rates** — minimum pension rate from 5th April 2020 remain at the same level as prior years being 3% for employers and 5% for eligible or opted in employees
- **Loans to Staff** - Employers can lend up to £10k to staff interest free
- **Eye Tests** - are a tax free benefit which can be paid for by an employer for an employee who uses a computer monitor
- **Trivial Benefits** - Up to £50 can be paid to employees tax free as part of a non employment event as long as isn't in the form of cash or a cash voucher. I.e. flowers on a birthday, Retail shopping voucher or Turkey for Christmas
- **Car parking** - providing staff with parking facilities or paying for car parking spaces near to their work even if the facility can still be used outside of work time is not a taxable benefit
- **Common Unclaimed Employee reliefs**—If a relief has not been claimed for business mileage, professional subscriptions and pension contributions tax payers have four years from the end of the tax year to make a claim otherwise they will be time barred.
- **Mileage**—Business mileage up to 10,000 miles can be reimbursed at the HMRC rate of 45p per mile, over 10,000 the rate drops to 25p per mile. If you have two unconnected employments in a tax year then you are entitled to 2 lots of 10,000. If your employer doesn't pay the full rate, you can claim tax relief on the shortfall, either on your tax return or on form P87. Four year window to claim
- **Staff Entertainment** - An annual party, meal or events where all staff are invited up to the value of £150 per person per tax year is not a taxable benefit on staff and provides a tax deduction for the business
- **Uniform Relief** - A tax claim can be made for cleaning or repairing a uniform provided by reason of employment. There are set rates per HMRC.

<u>Minimum Wage Rates</u>	<u>Per Hour 1st Apr 2020 —£</u>	<u>Current per Hour - £</u>
25 years and Over	8.72	8.21
21 to 24	8.20	7.70
18 to 20	6.45	6.15
Under 18	4.55	4.35
Apprentice Rate	4.15	3.90

INHERITANCE TAX

- Inheritance tax (IHT) is payable at 40% on death on an individual's chargeable assets over £325,000. Charitable bequests made under an individual's will which are over 10% of an estate's value reduces the inheritance tax payable to 36% on the whole of the remaining chargeable assets
- The '**Residence Nil Rate Band**' (RNRB) is an additional inheritance tax relief which increases over the next two years as follows: 2019/20 - £150,000 and 2020/21 - £175,000
- It means that potentially £1m of assets can pass to the next generation tax free from the 6th April 2020
- The RNRB is only available where the family home is transferred to direct blood descendants and the total value of the estate is less than £2m.
- Pension assets correctly written in trust can be deemed out of a person's estate for inheritance tax thus can be passed tax efficiently to the next generation
- To mitigate inheritance tax make gifts during your lifetime. You can give away £3,000 each tax year inheritance tax-free and Gifts of up to £250 can be given IHT free to any number of people in each tax year.
- Parents can give £5,000 to each of their children as a wedding gift IHT free, Grandparents can give £2,500
- Inheritance tax is a tax on your assets. If you have an income and from that you give money regularly to leave enough income not to affect your lifestyle then that gift of income can be tax exempt

**Electric Company Car - Benefit in Kind**

Previous advice, in the majority of cases, has been that having a company car available for private use is very inefficient from a tax perspective. That advice is about to change from 6th April 2020. Choosing either a fully electric car or a hybrid vehicle with emissions from 1-50g/km and a pure electric range of over 130 miles will for 2020/21 result in Zero benefit in kind tax. That vehicle if used only for 10 business miles but used for 20,000 personal miles would not attract a benefit in kind charge.

The purchase of new electric cars (care as ex demonstrators may not count) will also be eligible for a 100% first Year Allowance capital allowance tax deduction.

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**** STOP PRESS ****
EXTRA Coronavirus business advice



Director Employees Job Retention Scheme

Government guidance has been updated to include the following 'if you're a director of your own company and paid through PAYE you may be eligible to get support using the job retention scheme'. We are interpreting that this to mean those employees who also happen to be directors, who have ceased being able to work in their normal capacity as an employee can be furloughed the same as other staff members. At the same time those individuals, can in their capacity as a director, continue to perform the limited duties expected of a director to enable the company to continue to function during this period affect by Coronavirus.

GRANTS are Taxable Income

It would appear that most of the grant support due to Coronavirus is likely to be received in the 2020/21 tax year i.e. after the 5th April 2020, unless government are organised and some of the rates cash grants arrive from the local authorities directly before the 5th April 2020. For the self employed eligible for grant support or businesses entitled to the rates cash grants you do need to consider that although it is a grant and you don't have to pay it back, it will remain TAXABLE income in whatever tax year it arrives. The treasury have not said that there will be any claw back of the grant if you end up with higher overall earnings in 2020-21 but further guidance might be introduced in due course

GRANT SUPPORT for the SELF EMPLOYED

The scheme will allow the self employed to claim a TAXABLE GRANT worth 80% of your trading profits up to a maximum of £2500 per month for the next three months commencing 1st March 2020 to 30th June 2020. Grant Support could then be extended if necessary.

YOU cannot yet apply for the scheme and it will only pay out in June. In the meantime consider other assistance options such as using the self assessment tax saving due by the 31st July 2020, a business interruption loan, or applying for universal tax credit to get you through to that point.

It is for sole traders AND partnerships. In the case of partners it will be based on their individual share of partnership profits as reported on their tax returns.

Your trading profits will be determined by reference to the last three tax returns submitted to HMRC i.e.

Year 1 2016/17 tax year to 5th April 2017)

Year 2 2017/18 (tax year to 5th April 2018)

Year 3 2018/29 (tax year to 5th April 2019)

It will be an AVERAGE of your Taxable self employed income over those three years

If you are still currently trading but commenced self employment after the 6th April 2016, but before 6th April 2019, i.e. you haven't been trading the full three year period, your average profits will be based on the completed tax years you have submitted

If you commenced trading in the 2019/20 year i.e. after the 5th April 2019 end even if you have correctly registered for self assessment and are still trading YOU will miss out—no help is available via this grant support. You will need to consider the other assistance available.

The Criteria to get the support is strict ALL the following conditions need to apply

- 1) You MUST have traded in 2019/20, and would still be trading, except for the interruption from Coronavirus
- 2) You MUST be intending to trade in the 2020/21 tax year
- 3) You MUST have submitted your 2018/19 Tax return. That is why there is a generous offer for those late filers who have not yet got their 2018/19 tax return submitted to HMRC by the normal due date of the 31st January 2020. They have a FOUR WEEK window to get themselves organised and that 18/19 return submitted to then be eligible
- 4) You MUST have lost trading profits due to Coronavirus, but you can continue working and earning if you are able to once you have applied and this won't impact on you getting the grant
- 5) Your Self Employed trading profits MUST be GREATER than 50% of your TOTAL taxable Income
- 6) Self Employed trading profits MUST be Less than £50,000 for 2018/19 to qualify OR Self Employed AVERAGE trading profits across 2016-17, 2017-18 and 2018-19 MUST be less than £50,000 to qualify

Those who have not yet filed their 2018/2019 tax return must do so by the 23rd April 2020

The grant for the three months will be paid by ONE instalment directly to your bank account. HMRC will be using the tax return information submitted to see if you are eligible and will invite you to apply online in due course only through Gov.uk

PLEASE BE VERY CAREFUL We are not yet sure exactly how the mechanics of the scheme will work as HMRC are currently designing it but there is a huge opportunity for scammers to be targeting the vulnerable at this time. If some one texts, calls or emails claiming to be from HMRC, saying that you can claim financial help or are owed a refund and ask you to click a link or give information such as your name, credit card or bank details it is a SCAM.

