Davis & Co.
New Forest Accountants

2022 Newsletter

Welcome to our 2022 Newsletter.

Well, it's certainly been another interesting year, thanks to Covid and the required ever changing rules, support measures and business adaptations so many of us had to make and are still making.

There are a number of changes to make you are aware of, some of which have been delayed due to Covid, so it's another lengthy Newsletter, but as always, we have tried to incorporate as many topics as we could that we feel could affect you and your business. Not all topics are covered in detail, but will at least give you an outline of changes and or relevant updates.

We would like to take this opportunity to thank our clients' for being so patient with us, and the changes we have made to ensure we could maintain face to face meetings. We are now able to happily say that the office is fully open and there is no need to call in advance to help us with ensuring social distancing.

We would also like to introduce you to Claire, who is now assisting us in the office a few mornings a week. This is though still very much a family business and as ever, the children's assistance in the office remains invaluable.

Income Tax Rates:

The basic personal allowance has been maintained at £12,570 for the 2022/23 tax year.

Rate	%	Range
Personal Allowance	0%	Up to £12,570
Basic	20%	£12,571 - £50,270
Higher	40%	£50,271 - £150,000
Additional	45%	Over £150,000

The rates for Scotland and Wages are shown separately later in this Newsletter.

Tax Bands and Rates – Dividends:

The Dividend Allowance is remaining at £2,000 for the 2022/23 tax year.

Dividends received above the allowance are taxed at the following rates:

- 8.75% for basic rate taxpayers
- 33.75% for higher rate taxpayers
- 39.35% for additional rate taxpayers.

Dividends within the allowance still count towards an individual's basic or higher rate band and so may affect the rate of tax paid on dividends above the Dividend Allowance.

To determine which tax band dividends fall into, dividends are treated as the last type of income to be taxed.

Don't Lose your Personal Allowance:

For every £2 that your adjusted net income exceeds £100,000 the £12,570 (2022/23) Personal Allowance is reduced by £1. Pension Contributions and Gift Aid can help to reduce the adjusted net income and save tax at an effective rate of 60%. The restriction applies between £100,000 and £125,140 of adjusted net income.

Scottish Income Tax Rates:

Scottish Income Tax was brought in from 6th April 2017.

You are classified as a Scottish taxpayer if your main home is in Scotland, in which case you should have a PAYE code that starts with 'S'.

Scotland – Scottish rate of income tax (SRIT):

Rate	**%**	**Range**
Personal Allowance	0%	Up to £12,570
Starter	19%	£12,571 - £14,732
Basic	20%	£14,733 - £25,688
Intermediate	21%	£25,689 - £43,662
Higher	41%	£43,663 - £150,000
Top	46%	Over £150,000

Revenue Scotland
Teachd-a-steach Alba

Welsh Income Tax Rates:

Income Tax was devolved to the Welsh government from 6th April 2019.

HMRC still collects income tax, but the government in Westminster no longer receives all of it.

If your main home is in Wales, you will pay Welsh rates of income tax. If you move home, either to or from Wales, you will pay the Welsh rate if you live in Wales for more than half of the year. Taxes for people with multiple properties are dependent on your main home, where you live and where you spend most of your time.

Instances where your main home could still be where you spend less time: that's where your family lives, if you are married or in a civil partnership that's where most of your property is that's where you've registered for things such as your GP, car insurance or your bank account.

Wales – Welsh rate of income tax:

Rate	**%**	**Range**
Personal Allowance	0%	Up to £12,570
Basic	20%	£12,571 - £50,270
Higher	40%	£50,271 - £150,000
Top	45%	Over £150,000

What is a Personal Tax Account and should I register for one?

HMRC introduced a Personal Tax Account system in 2015, and since then Revenue has been encouraging everyone to create their own Personal Tax Account. Below we will explain the basics of what the accounts are, what you can do with them and the benefits of signing up.

What is a Personal Tax Account?

The Personal Tax Account system is a new online resource HMRC has launched to enable you to view and make changes to your information online. It is intended that you will be able to manage your tax affairs through the account rather than phoning or writing to HMRC.

What can I do through my Personal Tax Account?

There are a number of services available through the system, and these include:

- Checking your Income Tax estimate and tax code
- Filling in, sending and viewing a personal tax return
- Claiming a tax refund
- Checking and manage your tax credits
- Telling HMRC about changes which may affect Child Benefit
- Checking your State Pension
- Tracking tax forms that you've submitted online
- Checking or updating your Marriage Allowance
- Telling HMRC about a change of address
- Check or update benefits you get from work, e.g. company car details and medical insurance

What is the benefit of signing up?

The new account makes it much easier to make changes to the information HMRC holds about you. Since launching in early 2017, families making a new claim to Child Benefit online can use their Personal Tax Account. They will not need to send their child's birth certificate to HMRC, as they will be able to automatically check details with the relevant birth registration offices.

For parents who are claiming Tax Credits the new system makes it much easier to keep track of your claim and you can renew online when the time for renewal comes.

The HMRC helpline is notoriously difficult to get through to so this new system can save you time and make dealing with HMRC quicker and easier.

How do I sign up?

To sign up you must first register for a Government Gateway account, you will need your National Insurance number and your P60. Once this has been completed you can sign into your Personal Tax Account using the Gateway ID, password and your National Insurance number.

Your PAYE Tax Code:

Is my tax code correct and why has it changed?

Tax codes determine how much tax your employer or pension provider takes from your pay or pension. To understand your tax position, you need to know what tax codes are, what they mean for you and how you resolve any queries about them.

What is my tax code?

Just before the start of the tax year, HMRC will issue a tax code to your employer or pension provider to work out how much Income Tax to take from your pay or pension for the coming tax year. Your tax code appears on your PAYE payslip, and in statements from pension companies.

The majority of people's tax codes usually start with a number and end with a letter. For the tax year 2022/23 most people who have only one job or pension with no other adjustments will have a tax code of 1257L, reflecting the basic Personal Allowance of £12,570.

What does my tax code mean?

Your tax code will be adjusted by HMRC to reflect any difference to the standard allowance, for example, if you receive taxable benefits such as:

- a company car
- private medical cover
- gym memberships
- loans from the employer
- other income you haven't paid tax on

How can I increase my tax allowance?

As well as deductions, you may have items that are added to your personal allowance, such as:

- gift aid donations
- personal pension payments
- job expenses such as uniform and working from home allowances etc

If you give money to charity or pay contributions into a private pension, your tax code can be adjusted to reflect a higher amount of tax free income.
What is left in your tax code, after all adjustments, is your tax free income.

How does a company car affect my tax code?

Company car taxation varies according to factors including list price, CO_2 emissions, the proportion of the year it is used, whether fuel is provided for personal use and whether any contribution is made by the employee. The rates are at their highest for diesel vehicles and at their most favourable for electric cars.

Does medical cover affect my tax code?

If your employer pays insurance premiums for medical insurance, you usually pay tax on the costs to the employer of the insurance. It is always advisable to understand how your employer works out how much to deduct from your pay.

How does giving to charity change my tax code?

Gift aid benefits charities which can claim an extra 25% of donations from the government. Higher rate tax payers also benefit by their basic rate bands being increased by the gross donation. Employees need to ask HMRC to adjust their tax codes accordingly, and self-employed people need to report their donations on their self-assessment return.

What is the tax relief on pension contributions?

For payments into company or private pension schemes, you receive tax relief at the highest rate of income tax you pay. Basic-rate taxpayers benefit from 20% pension tax relief, and higher-rate taxpayers can claim 40% pension tax relief.

What does the letter in my tax code mean?

You tax code includes one or more letters which have the following meanings:

- L – the code is for the standard Personal Allowance
- NT – there is no tax to deduct
- BR – basic rate tax is to be deducted from all income
- K – deductions are due for company benefits, state pension or tax owed from previous years which are greater than your Personal Allowance

- M – your partner has transferred 10% of their Personal Allowance to you as a Marriage allowance
- N – you have transferred 10% of your Personal Allowance to your partner as a Marriage Allowance
- T – your Personal Allowance has been adjusted because of issues such as income over £100,000
- OT – Your new employer does not have details of your tax code
- D1 – your employment or pension income is taxed at the higher rate

If all your income is from self-employment, you are not issued with a tax code. Your income tax liability is worked out through your self-assessment return.

Why has my tax code changed?
Your tax code changes if there is a change in your tax-free income. That could be due to a change in the taxable benefits you receive, such as stopping or starting to have a company car. Any changes that occur within the year that HMRC are made aware of, or you advise them of, will result in an amended coding notice being issued within that tax year.

If you know something has changed in your circumstances then you need to let HMRC know as soon as possible. Or if HMRC are advised of a change in your circumstances, they will change your coding notice. This doesn't mean it's necessarily right, and it may result in too much or too little tax being collected.

How can I check my tax code?
HMRC provide a simple way of checking code at the Check Your Tax Code page on gov.uk. You can check your tax code for the current tax year, as well as the previous and following years, using your personal sign in details. You can also see whether your tax code has changed, how your tax code calculated, and a guide to the amount of tax which you will need to pay. You can use the same web portal to tell HMRC about any changes to your taxable income which will affect your tax code.

It is always worth checking that the code is correct, and if you are in any doubt do consult an accountant. If HMRC have the wrong code for you, you could have unexpected payments to make, or you may be able to claim a refund.

What is an emergency tax code?
If HMRC do not have full information about your employment, they may apply an emergency tax code to your salary. This occurs most frequently when you change jobs.

If you’re on an emergency tax code your payslip will show either:

1257 W1 1257 M1 1257 X

These codes mean you pay tax on your entire income above the basic Personal Allowance, regardless of any reliefs you may be entitled to. However, emergency tax codes are temporary. HMRC undertake to update your tax code once they have the right information from you or your new employer.

How can I change my tax code?

An incorrect tax code will result in you paying the wrong amount of income tax to HMRC. Incorrect codes are the result of HMRC having the wrong information about your income or entitlement to reliefs. To update your details, you should contact HMRC directly through webchat, Twitter, phone or post, or ask your accountant to do this for you.

Universal Credit & Other Benefit Rises:

Millions will have seen benefit payments, such as universal credit and child benefit, rise from April 2022 under an uplift for the new financial year. If your family income is under £30,000 and you're not in receipt of any state support - it's worth spending 10 minutes to check if you're due benefits.

Under the increase, inflation-linked benefits and tax credits will rise from 11 April by 3.1% in line with the Consumer Prices Index (CPI) rate of inflation in September 2021 - though this is less than the current 6.2% rate of CPI meaning the increases don't keep track with the rising cost of living.

The state pension will also rise today by September's CPI inflation of 3.1%. Under the Government's triple lock arrangement, the state pension usually increases each year in line with inflation, average earnings or 2.5% – whichever is highest. But this formula was suspended for the 2022/23 financial year with only the inflation and 2.5% measures being taken into account.

Claim the Marriage Allowance:

How it works:

The Marriage Allowance lets you transfer £1,260 of your Personal Allowance to your husband, wife or civil partner. This reduces their tax by up to £252 in the tax year (6 April to 5 April the next year).

To benefit as a couple, you (as the lower earner) must normally have an income below your Personal Allowance - this is usually £12,570.

You can calculate how much tax you could save as a couple. You should call the Income Tax helpline instead if you receive other income such as dividends, savings or benefits from your job. You can also call if you do not know what your taxable income is.

When you transfer some of your Personal Allowance to your husband, wife or civil partner you might have to pay more tax yourself, but you could still pay less as a couple.

Who can apply:

You can benefit from Marriage Allowance if all the following apply:

- you're married or in a civil partnership
- you do not pay Income Tax or your income is below your Personal Allowance (usually £12,570)
- your partner pays Income Tax at the basic rate, which usually means their income is between £12,571 and £50,270 before they receive Marriage Allowance

You cannot claim Marriage Allowance if you're living together but you're not married or in a civil partnership.

If you're in Scotland, your partner must pay the starter, basic or intermediate rate, which usually means their income is between £12,571 and £43,662.
It will not affect your application for Marriage Allowance if you or your partner:

- are currently receiving a pension
- live abroad - as long as you get a Personal Allowance.

If you or your partner were born before 6 April 1935, you might benefit more as a couple by applying for Married Couple's Allowance instead.
You cannot get Marriage Allowance and Married Couple's Allowance at the same time.

Backdating your claim:
You can backdate your claim to include any tax year since 5 April 2018 that you were eligible for Marriage Allowance.

Your partner's tax bill will be reduced depending on the Personal Allowance rate for the years you're backdating.

If your partner has died since 5 April 2018 you can still claim - phone the Income Tax helpline. If your partner was the lower earner, the person responsible for managing their tax affairs needs to phone.

Stopping Marriage Allowance:
Your Personal Allowance will transfer automatically to your partner every year until you cancel Marriage Allowance - for example if your income changes or your relationship ends.

Personal Savings Allowance:

The Personal Savings Allowance (PSA) was introduced on 6 April 2016, with the result that the majority of savers in the UK no longer have to pay any tax on their savings income.

Basic-rate taxpayers qualify for a £1,000 PSA. This means they can receive up to £1,000 a year in savings income tax-free.

Higher-rate taxpayers, have a PSA of £500 a year, meaning they can earn £500 a year in savings income before they have to start paying tax on it.

What is savings income?
Savings income includes:

- Any interest your savings earn
- Interest distributions (but not dividend distributions) from authorised unit trusts, open-ended investment companies and investment trusts
- Income from government or company bonds
- Some types of purchased life annuity payments and gains from certain contracts for life insurance

Does ISA interest count as savings income?
No, ISA income does not count towards your Personal Savings Allowance. So you can earn tax-free interest, and still benefit from the full £1,000 Personal Savings Allowance.

Who pays tax on joint account interest?
If you share a savings account with your spouse or partner, your Personal Savings Allowance still applies. Taxation on joint accounts is split equally, so you should count 50% of the account's interest towards your own Personal Savings Allowance. This is even the case if you and your partner are in two different tax thresholds. For example, if you are a basic rate taxpayer and your partner is a higher rate taxpayer, then half of the interest will count towards your basic rate PSA of £1,000 and half will count towards your partner's higher rate PSA of £500.

Is Personal Savings Allowance in addition to Personal Allowance?
Yes, your Personal Savings Allowance and your Personal Allowance are completely separate. Your Personal Allowance is the amount you can **earn** without having to pay income tax, whereas your Personal Savings Allowance exclusively applies to any earnings your savings make.

ISA Allowance 2022/23:

The ISA Allowance is reviewed annually?

- The 2022/23 ISA allowance is £20,000 per person
- You have until 5th April 2023 to make use of it
- The savings limit for Junior ISAs is £9,000
- You can spread your ISA allowance between a Cash, Stocks and Shares or Innovative Finance ISA or simply place all your savings in to one of these types of accounts. You can only have one of each.

What kind of ISA's are available?

- Cash ISA
- Stocks & Shares ISA
- Innovative Finance ISA
- Lifetime ISA

Your capital is protected up to a value of £85,000 by the FSCS. If your investment performs well, you'll receive your capital back at the end of the term plus any income you made on the initial deposit. In the event that your investment doesn't perform well you may receive no income or capital growth, but your initial capital will be repaid in full. So, if you put £1,000 into a structured cash ISA and the market does well over the term of the ISA, you might get £1,000 capital + 15% income when your plan matures.

In the event that the market does badly, you may not receive any returns, but you'll get your capital back.

Stamp Duty:

Tax payable when you purchase a property above a certain value. The amounts can be quite significant and you'll have to factor this into your budget when considering how much deposit you need to buy a house.

The actual name of the tax and the rates applied depends on where you're buying in the UK, whether you're a first time buyer and, if not, how many properties you currently own.

- In England and Norther Ireland, it's known as Stamp Duty Land Tax (SDLT) and is payable on purchases above £125,000 or £300,00 for first time buyers.
- Wales' equivalent is call the Land Transaction Tax (LTT) and applies to properties over £180,000 (different thresholds may apply to anyone purchasing an additional property).
- Scotland has the Land & Buildings Transaction Tax (LBTT) which applies to properties over £145,000 or £175,000 for first time buyers.
- England and Northern Ireland impose a 3% surcharge for additional properties such as second homes or Buy to Let. In Scotland and Wales it is charged at 4%.
- Please note that if you're currently living overseas and additional Stamp Duty Land Tax (SDLT) may apply for purchases in England and Northern Ireland.

What is Rent a Room Relief:

Did you know that if you rent out a room in your home, HMRC sees you as a landlord? Your official title is a resident landlord – and being one affects the tax you're expected to pay.

Officially known as the Rent-a-Room scheme, this is a tax-free allowance that means you can earn a certain amount in rental income without paying tax on it. It can be used exclusively by those who rent out a room in their house, rather than those who rent out their whole property. And this, as a result, affects lots of Hosts on Airbnb.

How does it work?
You can earn up to £7,500 in rental income per tax year totally tax-free. Anything over that you pay tax at the usual rates.

How does rental income tax work?
When you earn money from renting property, you're expected to file a tax return. This is because the money you earn from rental income is untaxed, so needs to be declared to HMRC. There's a simple process to follow when it comes to doing this.

1. The tax year runs between 6 April to 5 April the following year so anything you earn in rent or spend as a Host on Airbnb between these dates needs to be recorded
2. Register for Self Assessment by 5 October – following the end of that tax year. i.e. If you earn rental income between 6 April 2021 and 5April 2022, register for Self Assessment by 5 October 2022
3. File and pay your tax return by 31st January

The rate of tax that you'll pay is based on your total income. In other words, your employment income, rental income and any other income sources. The tax that you pay on this is Income Tax.

Can I claim expenses with Rent-a-Room relief?
In short, no.

You can claim one or the other. If you're not sure which one to choose, you should base it on whichever is higher. If you spend more than £7,500 on renting out your room on Airbnb during the tax year, it's more tax efficient for you to claim your expenses. If you spend less, you should claim the Rent-a-Room scheme.

What are expenses?
The term expenses is another way of describing your business spending. When you have to file a tax return, you can deduct business spending from your overall earnings so that you're only paying tax on your profits. As long as the purchases are "wholly and exclusively" from your hosting activities on Airbnb, HMRC will allow you to deduct them from your income total.

What impact does renting out a room to a lodger have when I sell my home?
In most cases, none.

New Rules for Holiday Lettings:

Some owners of holiday homes pay no council tax or business rates for their property, as they register the property as business premises then claim small business rates relief (SBRR) to reduce the business rates bill to nil. An assessment for business rates will always take priority over council tax, but it is normally more costly to pay business rates if SBRR is not available. An English local authority should only re-categorise a residential let property as a business premises if it is let on a commercial basis – ie. it is available for short-term lettings for at least 140 days per year. There are slightly different rules in Wales and Scotland.

From April 2023, for the property to qualify for SBRR, the landlord will have to provide evidence that the property will be offered for short-term commercial letting for at least 140 days in the current year. This evidence may be in the form of bookings, receipts or adverts. In addition, the landlord will have to show that in the previous tax year the property was:

- available for short-term commercial letting for at least 140 days; and
- actually let for short-term letting for at least 70 days.

If you let holiday accommodation, your property will need to meet these conditions for the year starting 6 April 2022.

Landlords Tax Relief on Interest:

As of 6th April 2020, you are no longer able to deduct any of your mortgage expenses from rental income to reduce your tax bill. Instead, you'll receive a tax-credit, based on 20% of your mortgage interest payments.

The change means that residential property finance costs will not be taken into account when calculating taxable rental profits. Instead, your income tax liability will be reduced by a basic rate tax reduction – for most individuals this will be the interest and other finance costs at the basic rate of tax.

These rules do not apply to residential properties held in companies or furnished holiday lettings. The restrictions apply to any interest and finance costs and so would also limit mortgage application fees and interest costs on loans to buy fixtures or furniture.

When thinking of investing in a new residential property, careful consideration should be given to the amount of tax relief to decide on the viability of taking on a new loan.

Beware of Social Media!!

HMRC still routinely checking Facebook & other Social Media and are catching people out!! Watch what you put on your status if you're on FB or other such Media's:

Such as "*had a brilliant day sailing our new yacht*", "*been on amazing expensive holiday to Barbados*", "*Lots of School Trips for children*", "*paying a fortune for my Daughters' Wedding*".

These are all the things they are looking at, and they will be seeing if your lifestyle fits your earnings, and can use this as a reason to check your business affairs.

Property & Trading Income Allowances At A Glance:

From 6 April 2017 individuals have benefited from two new annual tax allowances of £1,000, the 'Trading and Property Allowances'.

The allowances are separate: one for trading or miscellaneous income and one for property income.

Key features:

- If relevant income does not exceed the £1,000 allowance, there is no need to register for Self Assessment and declare or pay tax on that income.
- If relevant income exceeds the allowance, you must register for Self Assessment. You then may elect to deduct the £1,000 allowance if that is more beneficial than claiming tax relief for your actual allowable expenditure.
- There is a separate election for each allowance by tax year.
- Relief is excluded for certain types of income, business and in certain circumstances.

Trading Allowance:

- You can claim the allowance for trading or other miscellaneous income and can choose how to allocate the allowance between the different income sources.
- If you already have other taxable income from self-employment you cannot claim the trading allowance.

Property Allowance:

- If you have both UK and overseas property income, you will need to allocate the allowance.
- It does not apply to income on which Rent-a-room relief is given or where you claim expenses from letting a room in your own home, or to property income from a partnership.
- Directors and employees who receive rent or an allowance for Working from home cannot claim the property allowance.

Insurance Premium Tax:

First introduced in 1994, the Insurance Premium Tax (IPT) is a tax on general insurance premiums, including car insurance, home insurance, and pet insurance. There are two rates of IPT: a standard rate of 12% and a higher rate of 20%, which applies to travel insurance, electrical appliance insurance and some vehicle insurance. Life and other long-term insurance is exempt.

IPT%
INSURANCE PREMIUM TAX

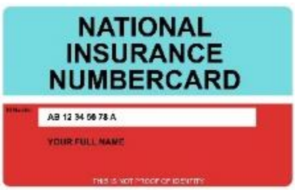
Check your NI record:

Revenue are still urging people to check their National Insurance record on-line. Your NI record shows contributions made, pension qualifying years, gaps, and credits.

Use the National Insurance record checker to view results of:

- NI contributions paid up to the beginning of the most current tax year (i.e. 6th of April).
- What National Insurance credits you received (NI credits only show where applicable).
- Whether there are any gaps in contributions or credits. Only 'qualifying years' count towards the State Pension.
- Whether you can pay voluntary contributions to fill the gaps and how much it would cost.

Please note, you cannot check National Insurance contributions record online unless you have a Government Gateway account.



Overview of Pensions Lifetime Allowance:

The lifetime allowance is the limit on how much you can build up in pension benefits over your lifetime while still enjoying the full tax benefits. If you go over the allowance, you'll generally pay a tax charge on the excess at certain times. Find out what the rules are and how you might be able to protect your pensions from being affected by this allowance.

How much is the lifetime allowance?

The lifetime allowance for most people is £1,073,100 in the tax year 2022/23 and has been frozen at this level until the 2025/26 tax year.

The allowance applies to the total of all the pensions you have, including the value of pensions you have through:

- any defined benefit (final salary or career average) schemes you belong to
- any savings you have in defined contribution pensions
- but excluding your State Pension.

When does it apply?

There's no limit on how much you build up in pension benefits. But checks are carried out at certain times to see if the value of your pension benefits exceeds the lifetime allowance.

If you've built up more than the value of the lifetime allowance when a check is carried out, you might have to pay a tax charge.

Checks are typically carried out:

- when you start drawing a defined benefit pension
- when you take an income or lump sum from a defined contribution pension (see examples below)
- if you transfer a pension overseas before age 75
- if you reach your 75th birthday and have a pension in drawdown or that you haven't touched
- if you die before age 75 and have pensions you haven't touched.

After age 75, there are generally no further checks against the lifetime allowance.

Working out if this applies to you:

Every time you start taking a pension from one of your schemes, its value is compared against your remaining lifetime allowance to see if there's extra tax to pay.

You can work out whether you're likely to be affected by adding up the expected value of your pensions to see if they might go over the lifetime allowance.

Be aware, though, that what matters is the value of your pensions at the point the checks are done. So you might need to take into account how the value of your pensions might change between now and the time you expect a check to be done.

For example, if you're 55 now, but don't expect to begin taking any money out until you're 60, you need to consider if the value of your pensions might increase between now and then. If it does, this will use up more of the lifetime allowance available to you.

You can work out the value of pensions differently depending on the type of scheme you're in:

Defined benefit pension schemes:

- For defined benefit pension schemes, you normally calculate the total value by multiplying your expected annual pension by 20.

- You also need to add the amount of any separate tax-free cash lump sum.

For example, if the annual pension you will receive is £15,000 a year and you will get a tax-free lump sum of £30,000 as well, the value of that pension for lifetime allowance purposes is £330,000 (20 x £15,000 + £30,000).

Defined contribution pension schemes:

- For defined contribution pension schemes, including all personal pensions, the value will be the total amount in your pension pots.

- If you're in a defined contribution pension, there are several ways of using your pension pot when you retire. A test is carried out each time you access money from a pension pot you haven't yet touched. For example, normally, you can take up to 25% of your pension pot as a tax-free lump sum. You can then use the balance to buy a guaranteed income or set up a flexible retirement income. This means a check will be made against the total value of the pension pot you intend to access. So, if the pension pot was £100,000 and you took 25% as tax-free lump sum, it's the whole £100,000 that's tested.

- If you take several lump sums from your pension, known as an 'UFPLS', it's the total value of the lump sum you withdraw that is tested rather than the whole pension pot. So, if the pension pot was £100,000 and you took a lump sum of £10,000 where 25% is tax-free and the other 75% is taxed as earnings, only the £10,000 would be tested at this point. The other £90,000 would be checked later.

- If you use your money to set up a flexible retirement income (known as pension drawdown), any money you still have in the pension when you reach age 75 will be checked again. If the money has grown so it is more than you had when you first moved into pension drawdown, (ignoring any tax-free lump sum you took at that time), this will use up more of your lifetime allowance.

Pensions already paying out to you

- If you have taken any pension benefits before 6 April 2006, these will need to be considered the first time a check is made against the lifetime allowance after 6 April 2006. This will reduce your available lifetime allowance. For defined benefit schemes, you normally calculate the total value by multiplying your annual pension (at the time of the check) by 25.

- If you have money in capped pension drawdown, it is 80% of 25 times your current annual drawdown limit.

- If you have more than one pension, you will use up lifetime allowance in the order you take them. The lifetime allowance you'll need to use in the calculation is the allowance in the tax year in which you take the pension income or the lump sum.

- Certain tax-free lump-sum benefits paid out to your survivors if you die before age 75 also use up your lifetime allowance.

- Whenever you start taking money from your pension, a statement from your scheme should tell you how much of your lifetime allowance you're using up.

Charges if you exceed the lifetime allowance:

If the total value of your pension benefits exceeds the lifetime allowance when a check is done, there will be tax to pay on the excess. This is called the lifetime allowance charge.

The way the charge applies depends on whether the excess is taken as a lump sum or as income.

Lump sums:

If you take the excess as a lump sum, it's taxed at 55%. Your pension provider or administrator should deduct the tax and pay it to HMRC, paying the balance to you.

Income:
If you keep the money in the pension so you can take an income from it – either flexibly (pension drawdown), as a guaranteed income (annuity), or as a scheme pension – there's an immediate 25% tax charge.
This is on top of any Income Tax you pay on the income you receive, when you receive it.

For defined benefit pension schemes, your pension scheme might decide to pay the tax on your behalf and recover it from you by reducing your pension.

For defined contribution pension schemes, your pension scheme administrator should pay the 25% tax to HMRC from your pension pot, leaving you with the remaining 75% to use towards your retirement income.

Example: someone who pays tax at the higher rate expected to get £1,000 a year as income but the 25% lifetime allowance charge reduced this to £750 a year. After Income Tax at 40%, they would be left with £450 a year.

This means the lifetime allowance charge and Income Tax combined have reduced their income by 55% – the same as the lifetime allowance charge if they had taken their benefits as a lump sum instead of income.

Protecting your lifetime allowance:
If you want to avoid the lifetime allowance charge, it's important to monitor the value of your pensions, and especially the increase in value of any defined benefit pensions as these can be surprisingly large.

You might also want to consider applying for protection if your pension savings are expected to exceed the lifetime allowance threshold.

There were and are protections that can help you avoid a tax charge by giving you a higher lifetime allowance.

You can check if you already have protection, but you will need an account for HMRC online services.

State Pensions and Benefits:

State Pension (per week):

	2022/23	2021/22
Old State Pension	£141.95	£137.60
New State Pension #	£185.15	£179.60

Applies to those reaching state retirement age after 5 April 2016

State Pension Age:

The State Pension age rose to 66 last year and it is due to increase to 68 between 2044 and 2046. However, following a recent review, the UK Government announced plans to bring this timetable forward so that it becomes 68 between 2037 and 2039. Any change would have to be approved by the UK Parliament.

State Earnings Related Pension Scheme (SERPS):

What is a SERPS pension?
A SERPS pension is a scheme that you could have paid into in order to qualify for the additional state pension which is paid out on top of the basic state pension. Contributing into SERPS was an option from 1978 through to 2002 as a way of topping up your state pension if you were employed and earnt enough to pay Class 1 National Insurance contributions (NICs) above the annual lower earnings limit.

To give you an idea of what you needed to earn to build an entitlement to a SERPS pension, the lower earnings limit gradually increased from £910 a year in the 1978/79 tax year to £3,744 by 2001/02.

If you were self-employed, you wouldn't have been eligible to pay into SERPS.

What happened to the SERPS pension?
SERPS was replaced with the state second pension (S2P) in 2002 to give both employed workers and those in receipt of certain benefits the chance to enhance the income they would receive from the state pension. However, it still wasn't an option for the self-employed.

It hasn't been possible to pay towards the S2P since the introduction of the new state pension in 2016.

Contracting out of SERPS:
The accrual of additional state pension benefits stopped during any period of time you were contracted out of SERPS, or the S2P.

By being contracted out, the National Insurance contributions made by you and your employer that built your eligibility towards additional state pension would be lowered or paid into a workplace or private pension instead, in the hope that this could deliver a higher level of pension benefits.

Defined contribution schemes:
If the redirected NICs went into a defined contribution scheme, such as a personal pension, these were ringfenced as 'protected rights' that may have some restrictions as to how they could be utilised at retirement.

If you had protected rights, these would have become standard pension benefits in 2012 when contracting out ceased to be an option for defined contribution schemes.

Defined benefit schemes:
Alternatively, if your contracted out payments went towards a defined benefit or final salary scheme, guarantees were attached that they must deliver a certain minimum level of benefit similar to what the additional state pension would have paid if you had remained contracted in. These were often referred to as a guaranteed minimum pension or reference scheme test benefits.

The option to contract out through a final salary scheme ended when the new state pension was introduced in April 2016.

How is a SERPS pension paid out?
This will depend on your state pension age and the type of state pension you're eligible for.

If you reached state pension age before 6 April 2016, you qualify for the old basic state pension and may be eligible to receive an extra payment in the form of additional state pension. This additional payment will reflect any SERPS entitlement you accrued up until 2002 and any entitlement you built up for the state second pension thereafter.

If your state retirement age falls after 6 April 2016, you qualify for the new state pension rather than the old basic state pension. The idea behind the new state pension was to simplify the system into a single-tier flat-rate payment, with no separate additional state pension payment. For 2022/23 the new state pension pays £185.15 a week if you qualify for the full amount. However, if you've built up entitlement to a certain level of additional state pension, your new state pension could be increased to reflect this.

Any SERPS pension or S2P benefits you're entitled to will be paid automatically when you claim your state pension. Once your claim is underway, the Pension Service will let you know how much your payment will be for. Everything is paid at the same time into your chosen bank account.

How much is a SERPS pension?
The maximum additional state pension you can receive in the 2022/23 tax year is £185.90 a week. This includes any entitlement you might have to both SERPS and S2P, and any additional state pension you might inherit.

Exactly how much you might get will depend on the number of years you paid NICs, the level of your earnings when this was paid, and whether you spent any time contracted out of SERPS or the S2P. Any top up you made to your basic state pension – an option that was available from October 2015 to April 2017 – will also be included.

Inheriting a SERPS pension:
If your spouse or civil partner has passed away, you might be allowed to inherit some of their SERPS pension entitlement. How much you can inherit will depend on whether they died before or after 6 October 2002.

If it was before, you're entitled to inherit all of their SERPS pension; if it was on or after, the SERPS you can inherit will depend on when they were born.

How do I check my SERPS pension?
A pension forecast will give you an idea of how much state pension you're currently in line to receive, including any SERPS pension you're eligible for.

If you're not sure whether you were contracted out or not, looking at your payslips or asking your employer or pension provider are usually a good SERPS pension check. Alternatively, if your state pension forecast includes a contracted-out pension equivalent (or COPE) estimate – which shows the amount of additional state pension you would have received if you hadn't contracted out – then it follows that you were contracted out at some point.

If you were contracted out, but aren't sure where these payments went or are currently held, there are various ways you can trace pensions, whether they include SERPS or not.

HMRC Scam E-Mails:

HMRC received 915,762 reports of HMRC scams in 2020, with more than half of these offering fake tax rebates. Generally, an HMRC scam will take the form of rebate offers or warnings that you've missed a deadline. The last couple of year, there have been particularly cruel scams exploiting the economic difficulties of the pandemic, and the government's rapidly changing guidelines. Scammers are using increasingly sophisticated techniques, meaning it can be easy to be conned if you're not paying close attention.

How to spot fake HMRC emails:
Open your junk folder and you'll likely find countless emails purporting to be from HMRC. But sometimes a fake email can slip through your spam filter. These are the ones you have to watch out for. There are a few ways to stay alert if you receive an email that claims to be from HMRC. These are: Look at the sender's address The email might say it's from HMRC or HM Revenue and Customs, but looking at the actual email address it came from could tell another story. HMRC's official email addresses will always end with 'gov.uk'. If anything in the address comes after that, it's a scam. Check the subject HMRC will never email you about tax refunds. If you are owed a rebate, you won't find out about it in the body of a text or email, instead, you'll be told to sign into your online account and read a message.

Don't click links Even if you're 99% sure an email is genuine, it's safer to close your emails and log into your HMRC account in your web browser rather than click on any links an email includes.

Report suspicious HMRC emails, text messages and phone calls Online:
Phone Calls:
Use the online form to tell HMRC if you’ve received a phone call you do not think is genuine. You’ll need to give your email address.

We may share your email address and phone number with other organisations to close down the scam.

Emails:
Forward details of suspicious emails to HMRC’s phishing team phishing@hmrc.gov.uk

To help us deal with your email as quickly as possible, you should give details of what you’re reporting in the subject line (for example ‘Suspicious email address’).

HMRC will never send notifications of a tax rebate or ask you to disclose personal or payment information by email.

We may share your email address and phone number with other organisations to close down the scam.

Suspicious text messages:
Forward suspicious text messages to 60599. Text messages will be charged at your network rate.

HMRC will never send notifications of a tax rebate or ask you to disclose personal or payment information by text message.

We may share your email address and phone number with other organisations to close down the scam.

Capital Gain Tax on Second Homes:

The Capital Gains Tax Rules on second homes changed on 6th April 2020, impacting on second home owners and property investors. With a further slight change coming in from in relation to disposals after 27th October 2021

Anyone selling a property where CGT is due to now notify Revenue and settle this liability within 30 days of the completion of the sale, increasing to 60 days from 27th October 2021.

Failure to pay will most likely lead to HMRC charging interest and penalties.

What is Capital Gains Tax?
Capital Gains Tax is a tax on the profit you make when you sell an asset that has increased in value. Capital Gains Tax on second homes falls into this category.

It's the gain you make that's taxed, not the amount of money you receive.

There are specific reliefs from CGT for people selling their principal private residence and generally these ensure there isn't any tax to pay.

The problems arise where the property is not a principal private residence, or was but for only part of the period it was owned. Second homes and property investments will not enjoy any principal private residence reliefs.

<u>How much is Capital Gains Tax on second homes?</u>

There is a higher rate of CGT to pay on the gain you make on a property sale than there is on other assets.

If you are a basic rate taxpayer, you will pay 18% on any gain you make on selling a second property. If you are a higher or additional rate taxpayer, you will pay 28%. With other assets, the basic rate of CGT is 10%, and the higher rate is 20%.

It is important to note, that any capital gains will be included when working out your tax liability and as a result other income could therefore push you into a higher tax bracket.

All taxpayers have an annual Capital Gains Tax allowance, which means you can make gains up to a certain amount tax free. For the tax year 2021/22, the CGT allowance is up to £12,300 per individual, the same as it was in 2020/21.

Couples who jointly own assets can combine this allowance, potentially avoiding CGT on a gain of £24,600. Any unused allowance cannot be carried forward – so you use it or lose it.

<u>How much CGT will I pay?</u>

Capital Gains Tax is only paid, and at the rates outline above, on the gain that has been made between the cost when you bought the asset and the amount you sold it on for.

To work out your gain, you need to deduct the amount you originally bought the property for from the sales price.

You can also take off any legitimate costs involved with buying and selling. This can include legal fees, estate agents' fees, Stamp Duty and upgrades you made to the property when you owned it.

If you have let out either part or all of your home, a proportion of any gain when you sell it could be taxable. From 2020-21 tax returns going forward, lettings relief will only be available for people who were in shared occupancy with their tenant/tenants. The amount of letting relief you can claim will be the lowest of either: the gain you receive from the letting proportion of the home or the amount of private residence relief you can claim or £40,000. It's important to note that you can't claim private residence relief and letting relief for the same period. The exact amount of private residence relief and letting relief you can get depends on the amount you sell the home for.

You can also offset losses against the 'gain'. For example, if you are a property investor and make a loss on a property sale, you can offset this against the gain you make on another sale and so reduce the amount on which CGT is liable. Losses can be claimed for up to four years after they were incurred.

Non-Resident Capital Gains Tax:

If an individual is not resident in the United Kingdom, they will not be subject to UK tax on most gains even when the asset is situated in the United Kingdom (unless the gains arise on UK trading assets). The exception to this rule is UK property (residential and commercial and property-rich companies) owned by non-residents.

Since 6 April 2015, non-resident individuals and trustees who dispose of UK residential property crystallising a capital gain are subject to UK CGT on that gain in the year of disposal. Even if no gain arises, the disposal must still be reported to the UK tax authorities within 30 days of completion.

As of April 2019, gains on all UK property disposed of by non-residents and shares in UK property-rich, non-resident companies will all be subject to UK tax. The ATED CGT charge was abolished from April 2019, when these new provisions were introduced.

Such disposals must normally be reported and the tax paid within 30 days of the disposal, or 60 days in respect of sales completed after 27 October 2021. Even if no tax is due, the disposal must still be reported.

Inheritance Tax:

What is IHT?

If you plan to pass on assets or money after you die, your heirs could face a tax bill of up to 40% of your estate. Your estate is defined as your property, savings and other assets after any debts and funeral expenses have been deducted. You can reduce or avoid IHT in a number of ways. There's a tax-free allowance, and you can also give away a certain amount of your money during your lifetime, tax-free and without it counting towards your estate.

IHT thresholds and rates 2022-23:

Everyone in the 2022-23 tax year has a tax-free inheritance tax allowance of £325,000 – known as the nil-rate band. The allowance has remained the same since 2010-11.

The standard inheritance tax rate is 40% of anything in your estate over the £325,000 threshold.

For example, if you leave behind an estate worth £500,000, the tax bill will be £70,000 (40% on £175,000 – the difference between £500,000 and £325,000). However, if you're married or in a civil partnership, you may be able to leave more than this before paying tax.

Since April 2017, you've been able to pay less inheritance tax when leaving property to a family member. For the 2022-23 tax year, this transferable allowance is £175,000.

Do spouses pay IHT?

Married couples and civil partners are allowed to pass their possessions and assets to each other tax-free in most cases. The surviving partner is allowed to use both tax-free allowances, providing the first spouse to die did not use up their full inheritance tax allowance by giving away a big chunk of money in their will.
In 2022-23, most married couples or civil partners can pass on up to £650,000, or £1m if your estate includes your home, effectively doubling the amount the surviving partner can leave behind tax-free without the need for special tax planning.

However, some people whose partner died before 21 March 1972 will be caught by a loophole which means they don't get a 'double allowance'.

Gifts and other ways to avoid IHT:

Some gifts are usually tax-free. These include gifts between spouses and civil partners, and gifts to charities. Other gifts are potentially tax-free (known as potentially exempt transfers or PETs) depending on when they were made. Generally, as long as a gift is made more than seven years before your death to an individual – not to a business or a trust – you won't pay tax on it.

If you do die within these seven years, the tax payable on the gift may be reduced, depending on when the gift was made. You can find out more in our guide to tax-free gifts.

There are other ways to avoid inheritance tax, too - including putting your life insurance policy under trust or having a deed of variation in your will.

Trusts can also be a useful way to manage your IHT bill, and keep an element of control over what happens to your assets when you pass away. Find out more in our guide to trusts and IHT.

There are also other options like equity release and insurance policies: we explain in our guide to avoiding inheritance tax.

Who pays the IHT bill?

Inheritance tax due on money or possessions passed on when you die is usually paid from your estate. Your estate is made up of everything you own, minus debts, such as your mortgage, and expenses such as funeral expenses.

Heirs must pay IHT by the end of the sixth month after you die. An inheritance tax reference number from HMRC is needed first, and should be applied for at least three weeks before a payment needs to be made.

However, if the tax is due on gifts you made during the last seven years before your death, the people who received the gifts must pay the tax in most circumstances.

If they can't or will not pay, the amount due then comes out of your estate.

Do you need to report the estate?

In certain circumstances, you won't need to report the value of the deceased's estate, as it will be counted as an 'excepted estate'.

According to government guidance, most estates are 'excepted'. However, the rules on this will depend on when they died, who they left their assets to, and whether any inheritance tax is due.

If the person died on or before 31 December 2021
An estate will usually be excepted if:

- its value is below the inheritance tax threshold at the time the person died

- the deceased left everything in their estate to a surviving spouse or civil partner who lives in the UK, or to a qualifying registered UK charity and the estate is worth less than £1m
- the deceased had permanently been living outside of the UK when they died, and their UK assets have a value of less than £150,000.

If the person died on or after 1 January 2022
An estate will usually be excepted if:

- its value is below the current inheritance tax threshold
- the estate is worth £650,000 or less and any unused threshold is being transferred from a spouse or civil partner who died first
- the deceased left everything in their estate to their surviving spouse or civil partner who lives in the UK, or to a qualifying registered UK charity and the estate is worth less than £3m
- the deceased had permanently been living outside of the UK when they died, and their UK assets have a value of less than £150,000.

If an estate is counted as being excepted, you won't have to give full details of its value, providing it meets these three criteria:

- it counts as an excepted estate
- there's no inheritance tax to pay
- no other reasons apply that would mean you have to send full details of the estate, even when no tax is due. More on this below.

Instances where you need to send full details of the estate, even if no inheritance tax is due, include:

- if the deceased gave away more than £250,000 in the seven years before they died (or more than £150,000 if they died on or before 31 December 2021)
- if they had foreign assets worth more than £100,000
- if they gave gifts that they continued to benefit from in the seven years before they died.

Cost Of Probate Fees In The UK In 2022:

How much does probate cost?
The cost of probate varies, depending on the estate and who handles the process. The cost of has two main components; fixed costs and variable costs. Fixed costs are essentially the application fee.

Variable costs are effectively anything else, including the specialist probate services. The fixed cost is a minimum of £155, and the variable fee is likely to be around 1-5% of the value of the estate, plus VAT.

Who is responsible for paying for probate?
The cost of probate fees are paid out of the deceased's estate. So while the process will not cost the executor or administrator, they should still try to keep the cost low for the benefit of the beneficiaries.

Can I do probate myself?
It is possible to do probate yourself, and if you are dealing with a small, simple estate, this can save thousands of pounds.

When deciding if you want to appoint a probate solicitor or specialist, you should consider the complexity of the estate and the amount of time you have to work on the probate process.

Also, it will take 50-80 hours to do probate, so you have to take into account whether you have enough free time.

How much does probate cost in the UK to do it yourself?
If you decide to do probate yourself, you will only have to pay a fixed fee. If the deceased person's estate is worth over £5000 after you have paid for their funeral costs and settled their debts, it costs £215 to apply for probate to HM Courts and Tribunals Service. If the deceased's estate is worth less than this, the application is free.

Can I get legal aid for probate?
No. The government and Legal Aid Agency will not pay the cost of Wills, Probate, lasting power of attorney, and trusts.

When was the last time you reviewed your Will?

Throughout our lives our circumstances change, from buying a house and getting married to gaining and losing loved ones. Your Will should always reflect your current situation, but when and why should you review your Will?

Many people often think that they only need to draw up their Will once throughout their lifetime. Making a Will and keeping it up to date is the only way to ensure your chosen family members, loved ones, friends and charities will benefit exactly as you want them to. It is recommended that you review your Will every five years or following a major life event, to ensure that it accurately reflects your wishes.

The following circumstances are the most common reasons why you may choose to review your Will:

- You have recently got married.
- You have recently got divorced.
- You have bought or sold a property.
- You have acquired or disposed of a business.
- You have experienced the loss of a loved one who is named in your Will.
- You would like to remove a Beneficiary.
- You would like to make provisions for future care or funeral arrangements.
- Your Will no longer reflects your current circumstances.
- You would like to make a charitable donation.
- Additional Beneficiaries such as children or grandchildren have been introduced to the family and you wish to include them in your Will, or if you wish to appoint Guardians.

If 5 years have passed since you last reviewed your Will but you do not think that your circumstances have altered, it may still be necessary to review your Will as information regarding Beneficiaries, Executors or Trustees may need updating. If you wish to change your Executor(s) or if your Executor(s) die or loose the capacity to be able to act on your behalf, you can appoint alternative Executors by reviewing your Will.

Legislation is constantly changing, and this includes rules regarding tax, property, and inheritance. Reviewing your Will every 5 years is vital to ensure that your future plans are in line with the latest legislation. Your wishes may not be followed exactly as you desire if it is not in accordance with current guidelines.

If you choose not to review your Will, your Estate may not be distributed in a way which reflects your current situation. Updating your Will not only gives you peace of mind from knowing that your affairs are in order, but it will also relieve your loved ones of any unnecessary stress in the future.

When reviewing your Will, your Lawyer will examine the document attentively to ensure that everyone who you wish to be included is named, and to make sure that you are happy with how your assets are said to be distributed. Depending on the volume of amendments which need to be made, it will either be done by drafting a new Will or by making amendments to the original document. Your Lawyer will advise you on the best route to take based on your requests and they will ensure that your new wishes are accounted for, thereby, substituting your previous wishes.

Lasting Powers of Attorney-What Are They and Do I Need One?

A lasting power of attorney (LPA) is a way of giving someone you trust, a family member, close friend or your solicitor, the legal authority to make decisions on your behalf if you lose the mental capacity to do so in the future, or if you no longer want to make decisions for yourself.

There are two types of LPA:

- LPA for financial decisions
- LPA for health and care decisions.

LPA for Financial Decisions:

An LPA for financial decisions can be used while you still have mental capacity or you can state that you only want it to come into force if you lose capacity.

An LPA for financial decisions can cover things such as:

- buying and selling property
- paying the mortgage

- investing money
- paying bills
- arranging repairs to property.

You can restrict the types of decisions the authorised person can make, or let them make all decisions on your behalf.

If you're setting up an LPA for financial decisions, your authorised person must keep accounts and make sure their money is kept separate from yours. You can ask for regular details of how much is spent and how much money you have. These details can be sent to another trusted individual if you lose mental capacity. This offers an extra layer of protection.

LPA for Health and Care Decisions:

This covers health and care decisions and can only be used once you have lost mental capacity. The authorised person can generally make decisions about things such as:

- where you should live
- your medical care
- what you should eat
- who you should have contact with
- what kind of social activities you should take part in.

You can also give special permission for your authorised person to make decisions about life-saving treatment.

DON'T ASSUME:

If you're married or in a civil partnership, you may have assumed that your spouse would automatically be able to deal with your bank account and pensions, and make decisions about your healthcare, if you lose the ability to do so. This is not the case. Without an LPA, they won't have the authority.

Taxation for Non-Doms in the UK: What You Need to Know:

There's been much discussion about the non-dom tax status of the ex-chancellor's wife earlier this year, not all of it well-informed. So, what is a non-dom?

Defining a Non-Dom:
A domicile is your home for certain legal purposes, such as marriage and succession but also for certain tax purposes. Under English law everyone has a domicile, so, strictly, there is no such thing as a non-dom but the term is commonly used to refer to someone who has a foreign domicile for tax purposes. Under English law you acquire a domicile of origin at birth from your father (or mother if your parents were unmarried) and it tends to stay with you. If you move to a country different from the country of your domicile, say from India to England, your Indian domicile of origin will remain with you unless you decide (while in England) to make England your permanent or indefinite home. If you intend to remain in England for a period (for example 10 years) or a purpose (for example work), intending to leave at some point in the future, in principle, you retain your Indian domicile.

Does your passport affect your Non-Dom position?
It is incorrect to suggest that your citizenship determines your domicile or that if you are a citizen of one country you cannot be domiciled in another.

Understanding the tax position for Non-Doms residing in the UK:
If you are resident in the UK for tax purposes and have a foreign domicile, it entitles you to use the remittance basis of taxation, which, though the term hasn't been used, is what makes being a non-dom topical. The remittance basis enables you to shelter your foreign income and gains (frequently abbreviated to FIG) from UK income tax and CGT. The charge to tax on FIG arises to the extent FIG is remitted (ie, brought) to the UK, either directly or indirectly. FIG that is spent abroad, for example, to maintain the Californian home, is not subject to UK tax. It may be taxed elsewhere, but not in the UK.

The remittance basis doesn't automatically apply. You have to apply for it in your tax return each year: it is a matter of choice, and you can opt in and opt out from one tax year to the next.

As a UK resident non-dom, you are entitled to use the remittance basis for up to 15 tax years in any given 20. You then become deemed domiciled for all tax purposes, unless you cease being UK resident. For the first seven out of nine tax years of being UK resident, you can use the remittance basis "for free". For the 8th to 12th tax years (out of 14), you need to pay the remittance basis charge of £30,000 for each year you choose to use the remittance basis (which seems to be the position of the chancellor's wife). For the 13th to 15th tax years, the charge rises to £60,000 per year of use. These intricacies tend not to be reported by the UK press.

What are the implications for Inheritance Tax (IHT):
And then there's IHT. If you are a non-dom (whether you choose to use the remittance basis or not), your non-UK wealth is outside the scope of IHT but it comes within the scope of IHT once you become deemed domiciled in the UK. To overcome this risk, you could place your non-UK assets in trust before you become deemed domiciled as that ring-fences them from IHT indefinitely. There has been a great deal of commentary on offshore trusts lately too and generally speaking it is these so called "Excluded Property" trusts to which this commentary refers. A whole other topic for another day!

Given the recent high octane coverage of non-dom tax status, it will be genuinely interesting to see whether political pressure leads to changes in the UK tax system – buy now while stocks last?

Gift Aid Small Donations Scheme (GASDS):

GASDS is a top up on small cash donations introduced in 2013.

Charities and Community Amateur Sports Clubs can claim a top up payment of 25% on cash donations of £30 or less without the need for a Gift Aid declaration – this captures things like bucket collections and collecting tins. From April 2017 the rules were amended to allow claims from contactless donations.

The maximum you can claim from April 2016 is £2,000 (on £8,000 of donations).

High Income Tax Child Benefit Tax Charge:

You may have to pay a tax charge, known as the 'High Income Child Benefit Charge', if you have an individual income over £50,000 and either:

- you or your partner get Child Benefit
- someone else gets Child Benefit for a child living with you and they contribute at least an equal amount towards the child's upkeep

It does not matter if the child living with you is not your own child.

What counts as income:
To work out if your income is over the threshold, you'll need to work out your 'adjusted net income'.

Your adjusted net income is your total taxable income before any personal allowances and less things like Gift Aid.

You can use the Revenue Child Benefit tax calculator to get an estimate of your adjusted net income.

Who pays the tax charge:
If your individual income is over £50,000 and so is your partner's, then whoever has the higher income is responsible for paying the tax charge.

'Partner' means someone you're not permanently separated from who you're married to, in a civil partnership with or living with as if you were.

If your income is over the threshold:
You can choose to either:

- get Child Benefit payments, and pay any tax charge at the end of each tax year
- not get Child Benefit payments, and not pay the tax charge

If you choose to not get Child Benefit:
You can still fill in the Child Benefit claim form. You need to state on the form that you do not want to get payments.

You need to fill in the claim form if you want to:

- get National Insurance credits, which count towards your State Pension
- ensure your child gets their National Insurance number automatically before they're 16 - otherwise they need to apply for one themselves

Already getting Child Benefit

You can choose to either:

- stop getting Child Benefit - sometimes known as 'opting out'
- carry on getting Child Benefit and pay any tax charge at the end of each tax year

Tax-Free Childcare:

You can get up to £500 every 3 months (up to £2,000 a year) for each of your children to help with the costs of childcare. This goes up to £1,000 every 3 months if a child is disabled (up to £4,000 a year).

If you've already registered, you can sign in to your childcare account. If you get Tax-Free Childcare, you'll set up an online childcare account for your child. For every £8 you pay into this account, the government will pay in £2 to use to pay your provider.

You can get Tax-Free Childcare at the same time as 30 hours free childcare if you're eligible for both.

What you can use Tax-Free Childcare for:

You can use it to pay for approved childcare, for example:

- childminders, nurseries and nannies
- after school clubs and play schemes

Your childcare provider must be signed up to the scheme before you can pay them and benefit from Tax-Free Childcare. You need to check with your provider to see if they're signed up.

If your child is disabled:

You can use the extra Tax-Free Childcare money you get to help pay for extra hours of childcare. You can also use it to help pay your childcare provider so they can get specialist equipment for your child such as mobility aids. Talk to them about what equipment your child can get.

If your childcare provider is in an EEA country:
You may be able to use Tax-Free Childcare to pay a provider based in a European Economic Area (EEA) country. Contact HM Revenue and Customs (HMRC) to check.

Eligibility:
Your eligibility depends on:
- if you are working
- your income (and your partner's income, if you have one)
- your child's age and circumstances
- your immigration status

If you are working:
You can usually get Tax-Free Childcare if you (and your partner, if you have one) are:
- in work
- on sick leave or annual leave
- on shared parental, maternity, paternity or adoption leave

If you're on adoption leave, you cannot apply for the child you're on leave for unless you're going back to work within 31 days of the date you first applied.

If you're not currently working:
You may still be eligible if your partner is working, and you get Incapacity Benefit, Severe Disablement Allowance, Carer's Allowance or contribution-based Employment and Support Allowance. You can apply if you're starting or re-starting work within the next 31 days.

Your income:
You'll need to expect to earn a certain amount over the next 3 months. This is at least the National Minimum Wage or Living Wage for 16 hours a week on average. For example, over the next 3 months you expect to earn at least £1,976 - the National Living Wage for people over 23.

If you have a partner, they'll need to expect to earn at least this much too.
If you're self-employed and do not expect to make enough profit in the next 3 months, you can use an average of how much you expect to make over the current tax year. This earnings limit does not apply if you're self-employed and started your business less than 12 months ago.

If you or your partner have an expected 'adjusted net income' over £100,000 in the current tax year you will not be eligible. This includes any bonuses you expect to get.

Your adjusted net income is your total taxable income before any personal allowances and minus things like Gift Aid.

Certain types of income will not count towards the minimum amount you must earn to be eligible.
These include:

- dividends
- interest
- income from investing in property
- pension payments

Your child:
Your child must be 11 or under and usually live with you. They stop being eligible on 1 September after their 11th birthday. Adopted children are eligible, but foster children are not.

If your child is disabled, you may get up to £4,000 a year until they're 17. They're eligible for this if they:

- get Disability Living Allowance, Personal Independence Payment, Armed Forces Independence Payment, Child Disability Payment (Scotland only) or Adult Disability Payment (Scotland only)
- are certified as blind or severely sight-impaired

Your immigration status:
To be eligible for Tax-Free Childcare, you (or your partner if you have one) must have a National Insurance number and at least one of the following:

- British or Irish citizenship
- settled or pre-settled status, or you have applied and you're waiting for a decision
- permission to access public funds - your UK residence card will tell you if you cannot do this

If you're living in an EU country, Switzerland, Norway, Iceland or Liechtenstein, you (or your partner if you have one) might still be eligible for Tax-Free Childcare if:

- your work is in the UK
- the work started before 1 January 2021
- you've worked in the UK at least once every 12 months since you started working here

This is known as being a 'frontier worker'. You must show your Frontier Worker permit to the Childcare Service when you apply for Tax-Free Childcare.

If you get tax credits, Universal Credit, a childcare bursary or grant, or childcare vouchers:

You cannot get Tax-Free Childcare at the same time as claiming Working Tax Credit, Child Tax Credit, Universal Credit or childcare vouchers.
Which scheme you're better off with depends on your situation. Use the childcare calculator to work out which type of support is best for you.

Tax credits:

If you successfully apply for Tax-Free Childcare, your Working Tax Credit or Child Tax Credit will stop straight away. You cannot apply for them again.

Childcare vouchers:

You must tell your employer within 90 days of applying for Tax-Free Childcare to stop your childcare vouchers or directly contracted childcare. They'll then stop the vouchers or directly contracted childcare.

You may have to give HMRC evidence of leaving the childcare voucher scheme. For example, a copy of the letter telling your employer you're leaving the childcare voucher scheme.

If you have a partner who gets vouchers or directly contracted childcare, they'll need to tell their employer to stop this within 90 days too.

Universal Credit:

Wait until you get a decision on your Tax-Free Childcare application before cancelling your Universal Credit claim.

Bursaries:

If you or your partner get a childcare bursary or grant or expect to do so within the next 3 months, you cannot get Tax-Free Childcare.

Apply:

You can apply online for Tax-Free Childcare. If you apply for Tax-Free Childcare and someone else already gets 30 hours free childcare for that child, their 30 hours will stop at the end of the next term. You will be eligible for 30 hours free childcare instead.

If you have a partner:

You must include your partner in your application if you are:

- married or in a civil partnership and live together
- not married or in a civil partnership, but living together as though you are

Their employment and income will not affect your eligibility if they:

- are or will be absent from your household for more than 6 months
- are a prisoner

You and your partner cannot both have accounts for the same child.

If you are separated:
You and your ex-partner need to decide who should apply if you are jointly responsible for your child. If you cannot decide, both of you must apply separately and HMRC will decide who gets a childcare account.

Student Loans:

The repayment threshold for Plan 2 student loans – the income level above which post-2012 student loan borrowers are required to make repayments - will remain at its current level of £27,295 per year for the next financial year.

The government has also confirmed that the repayment threshold for Plan 3 student loans (postgraduate loans) will remain at its current level of £21,000 per year for financial year 2022-23.

Tuition fees will continue to be frozen at £9,250, helping to deliver a fair deal to current students. This is the fifth year in succession that fee caps have remained at the same level, saving a typical full-time student finishing a course in the 2022/23 academic year over £3,000 across a three year degree.

What does this mean in practice?
Maintaining the Plan 2 and Plan 3 repayment thresholds for 2022-23 are expected to have only small impacts on individual lifetime student loan repayments. But at the same time maintaining the Plan 2 repayment threshold will save an expected £3.7bn (PSNB) over the period up to April 2025.

In brief, individuals with Plan 2 loans who earn over £27,295 will repay up to an additional £9.45 per month.

Is my loan a Plan 2 or 3 loan?
Plan 2 student loans includes anyone who took out a student loan for an

undergraduate, Level 4/5, and/or PGCE course beginning on or after 1 September 2012, as well as Advanced Learner Loan borrowers.
Plan 3 loans are postgraduate loans.

Why has the Government made this change?
Overall, the cost of higher education to the taxpayer is rising, so the government wants to ensure the student loan system is underpinned by sustainable funding arrangements so it provides value for money for both those who benefit from higher education and the taxpayer.

Higher education will continue to be open to everyone who has the ability and the ambition to benefit from it, including the most disadvantaged, and no student will have to start repaying their loan until they can afford to.

Median annual earnings for young graduates have risen from £24.5k to £28k over 2016-20, and in 2020 they typically earned £6.5K more per year than their non-graduate counterparts.

This update comes ahead of significant wider improvements to the post-18 system which will improve social mobility and help level up opportunities across the country.

This includes the introduction of the Lifelong Loan Entitlement from 2025 – which learners will be able to use to support up to 4 years of flexible post-18 study throughout their lifetime – and proposed reforms to tackle poor-quality higher education courses that offer poor job prospects for graduates.

We will drive up standards across our universities ensuring all students receive a world class education that will lead to high value, high quality and high wage jobs and are fair to graduates as well as a good return on investment for the taxpayer.

How to become self-employed:

There are over four million self-employed people in the UK right now. In 2021, the self-employed workforce contributed £303 billion to the national economy. Everyone knows someone who's done it, but how do you get started? Read our guide to going self-employed and watch our video below.

Should I go Self-Employed?

There are plenty of reasons to go self-employed. You get to 'be your own boss' and work more flexibly. And depending on your industry, you may be able to command a much higher rate than the salary you'd be able to achieve as an employee.
But there are downsides to self-employment – and when you're thinking through being self-employed there's lots to take into account.

Deciding if Self-Employment is Right for You:

There are pros and cons to going self-employed, and when you're weighing up self-employment against employment there are a number of things that you need to consider, including:

- are you clear about how you'd get clients or customers?
- do you have some money to set yourself up?
- would you be able to cope with periods of little or no income?
- do you feel confident about managing your own business, for example managing cashflow, keeping thorough records and completing tax returns?
- have you thought through the impact of losing employee benefits, for example holiday pay, sick pay, and employer pension contributions?

You'll also need to think about personal things such as whether you'd miss working with colleagues, if you have the space you need, and any upcoming life-changing events like moving home or having a baby.

What are the Benefits of being Self-Employed?

There are plenty of perks of being self-employed, and this list isn't exhaustive:

- you have more flexibility and control, so it may be easier to fit your work around other commitments and responsibilities, including childcare
- your work can be more varied, as you may be working on several different projects for different clients at any one time
- you can explore your creative and entrepreneurial side as you build your own business
- you're more likely to work from home, or from your own business premises

There are also many financial benefits if you're self-employed. You can deduct costs such as travel and some utilities bills from your income when calculating your tax liability. Meanwhile, day rates for self-employed consultants and freelancers tend to be much higher than salaries, so there's potential to earn more money.

What are the Disadvantages of being Self-Employed?
It's important to take into account the disadvantages of being self-employed too. There are some challenges, such as:
- finding clients or a route to market
- start-up costs
- administration such as bookkeeping
- complying with industry regulations

What are the Disadvantages?
- your income isn't guaranteed, which can make it hard to keep up with rent or mortgage payments, loan payments, and living expenses
- you bear the responsibility for the failure or success of the business, so you don't have much back-up if things go wrong
- you won't get paid if you take a holiday or can't work because you're unwell
- it can be more difficult to get approved for things like renting a property, getting a mortgage, or getting a loan
- it can be difficult to separate your home life from your work life, and to get a good work-life balance
- being self-employed can be isolating if you're working on your own a lot

How much Tax do Self-Employed Pay?
How much tax you'll pay as a self-employed person will depend on how much money you've made and the 'allowable expenses' you've incurred in the course of your business. Certain business-related expenses can be subtracted from your income when you're calculating your taxable profit.

The tax-free personal allowance and the tax bands are the same for self-employed and employed people, so for 2021-22 you can make up to £12,500 before you need to pay tax. You'll then pay the basic rate of income tax (20 per cent) on income up to £50,000. The higher rate of 40 per cent applies to income over £50,000, and on income over £150,000 you pay the additional rate of 45 per cent.

How to pay National Insurance when Self-Employed:
Most self-employed people will need to pay Class 2 and 4 National Insurance contributions. You'll pay this as part of the Self Assessment process, which needs to be completed by 31 January every year.

Going Self-Employed for the First Time:
When you're going self-employed there are several things you need to do, including

thinking about your business structure (which has an impact on the paperwork you'll need to complete), and sorting out insurance.

Going Self-Employed Checklist:
When you go self-employed, you're effectively setting up a business, even though you might not see it that way. This means that you need to decide on a business structure.

We've taken an in-depth look at setting up as a sole trader – usually the simplest business structure to choose when you go self-employed. However, you may also decide to incorporate as a limited company.

Starting a Limited Company:
If you're setting up limited company, there are certain things you need to do, including registering with Companies House, drawing up a memorandum of association, and paying corporation tax. Take a look at our article on sole traders versus limited companies if you're not sure about the differences between these business structures.

Starting up as a Sole Trader:
If you're going self-employed in the UK as a sole trader, these are some of the things you need to do:

- tell HMRC that you're self-employed, so that they know you need to pay tax through Self Assessment and pay Class 2 and 4 National Insurance contributions
- set up a business bank account – If you're struggling to pick a provider, check out our article for a round-up of some of the best business bank accounts
- establish a process for recording your profits and evidence of your business expenses – this will make it much easier when it comes to completing your HMRC tax return
- check your tenancy agreement or mortgage agreement to make sure you're not contravening any terms if you're working from home – you may need to notify your landlord or mortgage lender
- sort out your insurance – professional indemnity insurance and public liability insurance are the main types of business insurance to consider, but there are plenty of other covers too
- think about your pension – since you won't be paying into a workplace pension any more, it may be a good idea to set up a private pension so that you're still putting money aside for retirement

Going Self-Employed but Working for a Company:
Of course, you may be going self-employed part-time or have a side hustle, but continue working for a company during the rest of the week. This means you're both self-employed and employed, and you'll pay tax through both PAYE and Self Assessment.

You could also be self-employed but only work for one company (for example if you have a single major client), but in this case HMRC will be keen to make sure that the company isn't just calling you 'self-employed' to avoid paying National Insurance contributions and giving you employment rights.

To count as self-employed, you usually need to have choice over when and where you work and you'll usually be paid when you issue invoices. Check the government website or speak to an accountant if you're not sure – you can also read our guide to the off-payroll working rules (IR35) for more.

Being Self-Employed and Getting a Mortgage:
One of the disadvantages of being self-employed is that it can be more difficult to get a mortgage, but it is possible.

When you apply for a mortgage and you're employed, the lender will usually confirm your income by asking for payslips and bank statements. When you're self-employed, you'll usually need to provide business accounts including a copy of your Self Assessment tax return forms.
Lenders often ask for between two and three years of accounts, so you may not be able to get a mortgage if you've only just become self-employed.

Usually, the lender will take an average of your income over the last two or three years to calculate how much they're willing to lend you. They may also ask to see other documents - business plans, for example - to check that they're confident you'll be able to keep up with the mortgage repayments.

How do I Register Myself as Self-Employed with HMRC?
Registering as self-employed with HMRC and setting up as a sole trader are two of the first things you need to do when you start your own business.

Our guide on how to register as self-employed gives you an overview of everything you need to know, from how to set up, to your responsibilities once you've registered.

You can register for Self Assessment on the government's website, and read our article on registering as a sole trader with HMRC for more information.

What can I Claim as Self-Employed?

Self-employed allowable expenses:

In terms of what you can subtract from your income when you're figuring out the self-employed profit that's taxable, the list includes business insurance, part of your utility bills if you work from home, office costs, stock, and certain business-related travel.

Self-Employed Benefits:

Depending on certain factors, you may be able to claim certain benefits. If you're self-employed and not earning very much money, you may be eligible for income support or working tax credit, although the latter has been replaced by Universal Credit for most people.

Self-Employed Tax Credits:

You can claim Working Tax Credit when you're self-employed, but in April 2015 the rules were tightened up. Self-employed tax credit claimants must show that they're trading on a commercial basis with the aim of making profits, and that their self-employed work is structured, regular, and ongoing. There's further information on the criteria in this government briefing document.

Self-Employed Housing Benefit:

Again, this has been replaced by Universal Credit. You may still be eligible for Housing Benefit and council tax reduction if you're self-employed but not earning very much money, and certain other factors apply.

When the council is calculating your eligibility for benefits like housing benefit, they'll probably ask to see your business accounts for the last financial year, or a forecast if you haven't started trading yet.

Self-Employed Universal Credit:

You may be eligible for Universal Credit if you're self-employed. You will have to declare your earnings at the end of each monthly assessment period, and will have to give details of any payments into or out of your business. Your work coach will also ask to see records of customers and suppliers, and marketing materials.

Your Universal Credit payments may be calculated based on your assumed earnings, which are known as the Minimum Income Floor. However, a different method may be used if you're in your first 12 months of self-employment, during which the Minimum Income Floor may not apply. During this period, you may also be entitled to meetings with a work coach who's specifically trained in self-employment.

Tax Return Penalties Eased:

If you missed the self-assessment filing deadline on 31 January 2022, don't panic - HMRC is being very understanding this year! You will not be charged a late filing penalty if you can get your tax return submitted online by midnight on 28 February 2022. HMRC is allowing this extra time as it realises that many businesses are short-staffed due to COVID-19. The balance of the 2020/21 income tax, the first payment on account for 2021/22 and any 2020/21 capital gains tax are all still due by 31 January. However, if your tax return was submitted late, you may not have the correct figures in time to pay the tax due. HMRC is also being lenient about the tax payment deadline. It won't charge the normal 5% late payment penalty if the tax is paid in full by 1 April 2022. If you don't have the funds to pay all you owe, you will escape a late payment penalty if you set up a 'time to pay' arrangement (TPP) before April.

You can apply for a TTP online once your 2020/21 tax return is submitted. This arrangement will be approved automatically by HMRC if all the following apply: • you owe less than £30,000; • the application was made before 1 April 2022; • you agree to pay all the tax owing within the next 12 months or less. You need to set up a direct debit to pay the tax by instalments (we can't do this for you) and should be prepared to pay the first instalment immediately. If the amount due is more than £30,000 or you can't pay it all within 12 months, you need to call the self-assessment payment helpline (0300 200 3822) and agree a bespoke TTP.

Self-Employed and Want A Mortgage?

If you're self-employed, it can be more of a challenge to get a mortgage because you'll need to prove you have a reliable income. But getting a mortgage when self-employed is certainly not impossible.

There are plenty of ways to prove to a mortgage lender that you have a reliable income, it's usually just a case of jumping through a few extra hoops.

Remember, since 2014 the self employed have not been able to "Self-certification" or "self-cert" their annual income. This means those who are self-employed now need to apply for a mortgage in the same way as everyone else.

What counts as self-employed?
Lenders will view you as self-employed if you own more than 20% to 25% of a business, from which you earn your main income.

You could be a sole trader, company director, or contractor.

How do you get a self-employed mortgage?
If you're self-employed and looking for a mortgage, you will, in theory, have access to the same range of mortgages as everybody else and you'll need to pass the lender's affordability tests in the same way as any other borrower.

But because there is no employer to vouch for your wage, self-employed people are required to provide far more evidence of their income than other borrowers.

Since the introduction of the Mortgage Market Review in 2014, mortgage providers have considerably tightened up their lending criteria and need to be convinced you can afford your mortgage before they agree to lend you the money.

What will I need to provide for a self-employed mortgage?
To prove your income when you apply for a self-employed mortgage, you will need to provide:

- Two or more years' certified accounts
- SA302 forms or a tax year overview (from HMRC) for the past two or three years
- Evidence of upcoming contracts (if you're a contractor)
- Evidence of dividend payments or retained profits (if you're a company director)

Lenders also prefer self-employed mortgage applicants to provide accounts that have been prepared by a qualified, chartered accountant; that way they can be sure of your reliability. It's likely that they will focus on the average profit you've earned over the past few years.

If you only have accounts for one year or even less, you may find it a challenge to convince a lender that you can afford to repay a mortgage – but, again, it's not impossible. Having evidence that you've got regular work or providing proof of future commissions may help.

Just be aware your choice of mortgages may be more limited.
Having a healthy deposit and a good credit history will also help your chances of securing a mortgage when you're self-employed.

As well as providing evidence of your income, you will also need to provide:

- Passport
- Driving licence
- Council tax bill
- Utility bills dated within three months
- Six months worth of bank statements

Lenders will want to examine your bank statements to look at how much you spend on bills and other costs to be certain you could afford your mortgage repayments.

They may ask about:

- Household bills
- Travel and commuting costs
- Childcare
- Holidays
- Socialising
- Hobbies
- Credit card and store card repayments
- Loan repayments
- Car finance agreements
- Catalogue credit accounts

Do self-employed people have to pay higher mortgage rates?

Self-employed mortgages aren't necessarily more expensive. As long as you're able to supply enough information about your income, you should qualify for the same mortgage deal as someone with a comparable salary in a permanent, full-time job.

The mortgage rate you get is much more likely to depend on the size of your deposit, as well as your credit rating.

The more can put down as a deposit, and the higher your credit rating, the better your mortgage rate is likely to be.

However, if you struggle to get accepted by a mainstream bank, you may have to apply with a specialist lender that deals with self-employed borrowers, and you may find the rates are higher.

How to boost your mortgage chances:

There are a number of steps you can take to increase your chances of being accepted for a mortgage when self-employed, such as:

- Save as much as you can for a deposit
- Check your credit rating
- Correct any mistakes on your credit report

- Get on the electoral roll
- Avoid buying certain properties such as flats above commercial premises or old or unusual buildings as lenders are less willing to lend on these
- Speak to a mortgage broker
- Look for a mortgage with a specialist lender

How to find the best mortgage deals for the self-employed:
The best way to find a competitive self-employed mortgage is by shopping around and select the type of mortgage you're interested in, enter the amount you need to borrow, the duration of the term and the property value and you'll be able to compare quotes easily and quickly.

The mortgage quotes are automatically sorted by monthly cost, showing you those that are the most affordable on a monthly basis. When comparing deals, make sure you factor in the cost of any fees as you may find it cheaper to go for a mortgage with a higher interest rate but lower fee.

If you're struggling to get accepted by mainstream lenders, you may find that using a specialist broker will improve your chances of securing a mortgage.

A specialist broker should have useful knowledge of which banks and building societies are more willing to lend to those who are self-employed, which have the strictest lending criteria and which are most likely to offer a competitive interest rate to a self-employed borrower.

Self-Employed are still NOT Saving into Pensions:

Did you know that 67% of self-employed people are seriously concerned about saving for later life.

Some self-employed people say that their business is their pension – and they'll sell it when they want to retire. But for many, they ARE the business – so if they retire, the business will have no value.

What if your business is your pension and your business goes bust? Then not only have you lost your work, but you'll also have no pension.

There are around 4.5 million self-employed people in the UK, accounting for 15% of the UK workforce. Yet just 31% of self-employed people are saving into a pension. One big attraction of being self-employed is you don't have a boss. But, in terms of pensions, this can be a disadvantage.

All employers now have to provide a workplace pension scheme for their eligible employees and pay into it. This boosts the amount their employees are saving towards retirement.

If you're self-employed, you won't have an employer adding money to your pension in this way.

But there are still some tax breaks it's important to not miss out on. For example, you'll get tax relief on your contributions – up to the lower of your annual earnings or £40,000 a year.

This means if you're a basic-rate taxpayer, for every £100 you pay into your pension, the government will add an extra £25.

If you pay enough tax at the higher rate of 40% in England, Wales or Northern Ireland – you can claim back a further £25 through your tax return for every £100 you pay into your pension.

In Scotland, you can claim an extra £1.58 for every £100 paid if you pay enough tax at the Scottish Intermediate Rate of 21%. A and a further £26.58 if you pay enough tax at the Scottish Higher Rate of 41%.

Your business might also be able to contribute to your pension if it is set up as a limited company.

Taxman Chases Overpaid SEISS Grants:

HMRC is writing to taxpayers it believes should repay some of the Self Employment income Support Scheme (SEISS) Grant they received.

In 2021 HMRC worked out if and how much fourth and fifth SEISS Grants and individual was entitled to, based on the business profits they declared in their tax returns for the years 2016/17 to 2019/20. The calculations were made on 2nd March 2021. Subsequent amendments made by the taxpayer or HMRC that alter figures on those returns might also affect the entitlement to SIESS payments.

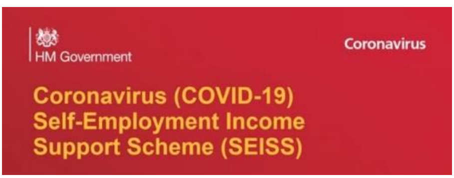
HMRC have identified individuals whose entitlements to the SEISS Grants has reduced by more then £100. It's now in the process of writing to them. The letter includes a formal assessment for repayment of the excess Grant. It also shows how the amount being demanded has been worked out. Note that only the fourth and fifth SEISS Grants are affected by HMRC's recalculations.

If your business profits shown on the returns for the years we've mentioned require amendment, you must tell HMRC and repay any SEISS Grant overpaid. You should not wait for HMRC to contact you.

If you receive a letter and accept HMRC's calculations, you must pay the amount demanded. The assessment will show a payment reference (it starts with an "X") and indicates instructions on the various methods you can pay by. If you need more time to pay call HMRC on 0300 322 9497 within the 30-day period.

If you don't pay the assessment within 30 days you'll be liable to a penalty which will be equal to 5% of the amount of the assessment.

If you don't agree with HMRC's figures, you have 30 days from the date of the assessment letter in which your appeal must reach HMRC. Instructions on how to appeal are given in the letter. When appealing you should provide your alternative to HMRC's calculations with your appeal.



Use of Home Allowances:

Not only is there no place like home, but you can also save some tax by working there. So whether you work entirely from home, or just do your invoicing from the kitchen table, you can claim an element for use home as an office in your business expenses.

Self Employed (sole traders and partnerships):
You get a much better deal than limited companies when it comes to use of home expenses. You can claim a lot more, particularly if you are using the proportion of home method. You can also include the costs of setting up your home office e.g. office furniture etc, under equipment or fixed assets.

Simplified expenses method:
This is a nice, easy and straightforward option but you might not save as much as you do using the proportion of home method below. If you work from home an average of 25 hours per month or more, you can use HMRC simplified expenses which gives a simple monthly flat rate. There are three levels depending on how many hours you are working from home. The current maximum rate is £26 per month if you work 101 hours per month or more, which would give £216 per year for your use of home expense.

Proportion of home method:
This is a more complicated method because it involves looking back through your yearly bills. However if you mainly work from home and have a reasonable home office space, this can very be worthwhile doing and you only need to work it out once a year.

- Work out the total for the home office costs. You can do this on a monthly or yearly basis. Costs can include: Heating, Electricity, Council Tax, Rent / Mortgage interest (just the interest part of your payments, not the capital), Home insurance, Water.
- Work out what proportion of your home is used as an office. A simple way is to count the number of rooms (not including kitchen, toilets and bathrooms) and then work out the office space as a percentage of this. Example – there are three bedrooms and a lounge; the whole of one bedroom is used as the office, so this is 25% of the rooms. You can also do it based on floor area. Multiply your total office costs from step one by your area percentage. If you are using your garage for work you can also include this in the calculation.
- Work out the proportion of time you spend working from home. Example – if you work at home full-time for five days per week then you can have 5

divided by 7 (equals 71%) as the percentage of the costs. If you work there for just half a day a week then you can have 0.5 divided by 7 (equals 7%) as the percentage of the costs. Multiply your answer from step two by your time percentage to give your final use of home expenses figure.

Don't get too tied up with working out the percentages for area or time spent. They have to be a fair and reasonable reflection of your circumstances but HMRC is not going to come round with a ruler and a stopwatch. Just do your best estimate.

<u>Limited Companies;</u>
Limited companies are more restricted in what can be claimed for use of home. This is because you, as a director, are considered to be an employee of the company. The only things that an employee can claim from the company are any additional costs that they have incurred. You can not include anything that you would have had to pay anyway because this is considered to be a benefit in kind and would be included on your personal tax return.

<u>Flat rate method:</u>
There is a flat rate for limited company employees as well as for sole traders, however it is a bit stingier as there is only one rate no matter how many hours you work at home. The current rate is £6 per week for employees working regularly from home to cover the additional costs of heating and lighting the work area.

<u>Proportion of home method:</u>
This is similar to the method above for sole traders but you are restricted on what costs you can include. It is only the additional costs incurred that can be counted. Rent, mortgage interest, water rates and council tax can **not** be included as you would have to pay these anyway. You can only include heat and light in step one, then steps two and three are the same.

<u>What else can I claim?</u>
Use of home flat rates do not include the business proportion of broadband or home phone. You can work these out and add them to your expenses in addition to your use of home. If you are using the proportion of expenses method you can add these in with your office costs total. However, I think it is worth doing these separately as they are not directly related to the amount of space that you use, so the percentage of business use might be different particularly for broadband. Home contents insurance could also be included if you need to increase your insurance payments to cover it your business use, but you can only have the amount that it increases by, not the total.

Is this money owed to me, can I take it out of the business?
It is owed to you because you are personally paying for some business expenses. The main purpose of the figure is to go into the accounts, to reduce the profit and therefore reduce the tax that you will need to pay. You can reimburse yourself with the money directly out of the bank account if you choose. However, the more common choice is to balance the amount off against other money you have taken out of the company through drawings (sole traders) or the directors account (limited companies).

Summary:

- It is always worth putting something in for use of home if you are making any use of your house at all, even if it is just for admin and invoicing.
- If you want to keep it simple or you don't spend much time there then use the flat rate.
- If you work there for most of the time then the proportion of home method can be worth the extra time to work out particularly for self employed.
- Don't forget the business percentage of broadband, home phone and contents insurance in addition.

Tips for Working From Home:

Is working from home living the dream, or is it becoming a nightmare…is it all it's cut out to be?
Workers have discovered the freedom and potential for a better work-life balance in remote work. With modern online technologies, it's even still possible to preserve the interactions you have with co-workers and managers.

The idea of a home environment for doing your job is becoming more and more common, especially in the age of COVID-19. However, you also have to take responsibility to avoid distractions and manage your time well. One of the biggest challenges of working from home is building the self-discipline to control your workflow, and keeping focus.

Establish a Work Routine:

Shower and get properly dressed for work, even if you'll be in your house the whole time. By going through a regular morning routine, you make your home office feel more like a real office. Your mindset is also much more "in-tune" as a result.

Stick to Regular Work Hours:

Make it a commitment to stick to a specified time slot during work. While you can certainly be flexible by choosing only your most preferred times of the day, keep your focus up during specified work hours.

Keep a To-Do List:

Make a plan and stick to it. By splitting large jobs into individual tasks, you can more easily stick to priorities and deadlines.

Use a Planner or Calendar:

An extended variant of the to-do list is a calendar that tracks long-term goals and projects. Again, you can specify which days you want to perform individual tasks, breaking up the workflow into digestible parts.

Set Up Boundaries:

Let your friends and family know that you cannot be distracted during work. Do not allow visitors into your office if possible and avoid answering personal phone calls and messages.

Avoid Social Media:

Facebook and YouTube can be the biggest distractions when you don't have a boss behind you all the time. Be wary of the time sink that social media can give you. Shut off notifications during the work day.

Reward Yourself:

A reward system is a great way to fight procrastination. Break up bits of the workflow with small activities like going for a walk, getting a snack, or even doing laundry.

Collaborating with Team Members:

Just because you're at home, doesn't mean you can't work cohesively with your team members in the office.

Use Availability Status Indicators:

If your business uses communication platforms like Skype, use the status feature to show the team whenever you are Online, Away, on Do Not Disturb mode, or Offline. These indicators help other team members know when you don't want to be contacted.

Schedule In-Person Time:
Even virtual teams should meet up physically every now and again to discuss project specifics. You can enjoy a degree of user interaction you might not experience in plain online chats.

Expect the Best From Your Co-workers:
Online communication works differently from in-person contact. Because many people try to be efficient when typing, don't take offense to a seemingly rude or brash remark. Expect positive things from your colleagues.

Taking It Easy:
Don't forget to take advantage of the positives of working from home. A relaxed home environment can help your productivity immensely if you use it wisely.

Take Short Breaks:
Even a 10-minute rest can help you stay focused during long stretches of workflows.

Exercise Occasionally:
You have the flexibility to go outside and recharge. Go for a walk or bike ride. Exercise like this can boost your happiness and thus productivity.

Put Something On in the Background:
There's nothing wrong with playing passive music in the background. YouTube and Spotify both offer relaxing tracks without lyrics for working. Just avoid podcasts, which require your attention to listen to.

Maintain Sleep Schedules:
Set up an alarm even if waking up on time isn't a priority. Healthier sleeping leads to better productivity, as humans are naturally reliant on routines.

Change Work Environments:
You might find that switching to a coffee shop or library to work helps. It's an easy way to separate your work and personal life.

Taking Advantage of Tools:
There are plenty of free and inexpensive business tools to optimize your work-from-home experience.

Search For Free Tools:
You don't have to raise the budget if you find free productivity tools. Skype works well for voice chat, while Trello is useful for project management.

Use the Cloud:
If you switch devices often, use Cloud storage solutions like Dropbox and Google Drive to keep all your work in one convenient, accessible place.

Install Necessary Equipment;
Think about the tools you had in the office that you might not have at home. A quality router, for instance, will prevent networking issues. You may even need a new laptop or monitor.

Invest in a Personal Office:
Tying into the above point, think about making your workspace comfortable. A bookshelf or a quality desk will make spending hours there more enjoyable. You don't have to spend thousands on a remodelling, but think about small changes that make big impacts.

Get a Great Headset:
If your workflow relies heavily on communication, get a noise-cancelling pair of headphones with a mute function on the microphone. This way, you won't annoy your team members with door knocks or passing traffic outside.
Working from home is a great opportunity for many people. So, let's make the most of it!

Limited Liability Partnerships – Advantages & Disadvantages:

An LLP is a form of separate legal business entity that gives the benefits of limited liability but allows its members the flexibility of organising their internal structure as a traditional partnership. They are intended for businesses which carry on a trade or profession and are particularly attractive to larger professional partnerships.

LLPs are in law regarded as 'bodies corporate' and are subject to aspects of company law, but for tax they will generally be treated as 'partnerships'. The members provide working capital and share any profits. Members who are individuals will be liable to pay income tax under self assessment, and self-employed Class 2 and Class 4 National Insurance contributions. Members who are companies will be liable to pay corporation tax on their share of profits.

The members of an LLP have limited liability, but the LLP is liable for all its debts to the full extent of its assets. To the extent that the members have contributed to those assets, a member risks losing that amount should the creditors claim those assets.

An LLP has unlimited capacity which means that third parties need not be concerned about any restrictions or activities. An LLP has complete flexibility as to the internal structure which it wishes to adopt; there are no requirements for board or general meetings or decision-making by resolution. Unlike a company, but similar to a partnership, an LLP does not have a memorandum or articles of association.

LLP disclosure requirements are very similar to those of a company, including the filing of annual accounts (audited where necessary). There are also similar rules for the filing of annual returns, and notifying changes in members' details or the location of the Registered Office. However, the LLP agreement remains confidential.

Every LLP must have at least two, formally appointed, Designated Members, who carry responsibilities similar to those of a Company Secretary. These designated members have statutory responsibility for certain tasks and are personally liable in the event of a default to any fine or penalty. Responsibilities include:

- Signing accounts
- Delivering accounts to the registrar of companies
- Appointments and removal of auditors (if required)
- Notification of membership changes (and changes to the registered office) to the registrar of companies.
- Preparing, signing and delivering the annual return
- Applying for the LLP to be struck off the register

The name of an LLP is used in a similar way to that of a company, and is displayed in the format Millionaire Limited Liability Partnership, or Millionaire LLP, and there are similar restrictions on the use of similar or sensitive names

<u>LLP agreement:</u>
A comprehensive agreement governing the duties and responsibilities of the members is a necessity, therefore, and it will need to include provisions for:

- The management of the LLP
- The decision-making process

- The capital contributions required of the members, both while a going concern and (if any) on liquidation
- The division of profits
- Changes to the membership
- Dispute resolution
- Termination of the LLP
- Provision for the amendment of the LLP agreement

Advantages of an LLP include:

- Limited liability: reduced risk to personal wealth from creditors' claims
- Internal flexibility: facilitates participation in management and maintenance of ethos of the partnership.

Disadvantages of an LLP include:

- Lack of privacy - financial information must normally be disclosed
- Requirement for an LLP agreement: this is needed to avoid default provisions applying and to cover situations not addressed by default provisions

Capital Allowances Super Deduction Explained:

Under the super-deduction, for two years from 1 April 2021 any investments your business makes in main rate plant and machinery will qualify for a 130% capital allowance deduction.

The super-deduction allowance is the most attractive tax incentive for business investment ever offered by a British government. Your company can claim back up to 25p for every pound you invest in 'qualifying' machinery and equipment for two years from 1 April 2021.

For two years from 1 April 2021, any investments your business makes in main rate (main pool) plant and machinery will qualify for a 130% capital allowance deduction. You will also benefit from a 50% first-year allowance for qualifying special rate (including long life) assets – the Chancellor has called this the 'SR allowance'.

Both the 130% super-deduction and 50% first-year SR allowance could reduce your corporation tax bills until 2023 because they give qualifying equipment a much higher tax deduction in the tax year of purchase than would otherwise normally occur, i.e. the 'first year allowance' (FYA).

Penalties for late filing to HMRC and Companies House:

You have 12 months to file your CT600 and accounts to HMRC. However, any corporation tax that is due, must be paid to HMRC by 9 months and a day after the end of you accounting period.   You have 9 months from the end of you accounting period to file your Company accounts to Companies House.

If this is your first year of trading, then the nine month runs on from the end of the 12 months since incorporation date, not from the year end date.

Penalties for late filing to Companies House:
If you are late filing your annual accounts to Companies House, then the following penalties will be applied:

Up to 1 Month	£ 150
Up to 1 – 3 Months	£ 375
Up to 3 – 6 Months	£ 550
More than 6 Months	£1,500

Penalties will be doubled if you file your accounts late 2 years in a row.

You will automatically receive a penalty notice if you file after your filing deadline. Your company maybe struck of the Companies House register if you do not file your accounts or confirmation statement. If you have a good reason for filing late you can appeal your penalty in writing.

Penalties for filing late to HMRC:
If you are also late filing your CT600 and accounts to HMRC, you will also receive penalties from them in addition to the penalties from Companies House. The penalties for late filing to HMRC are as follows:

1 day	£100
3 Months	Another £100
6 Months	HMRC will estimate your Corporation tax bill and add a 10% penalty
More than 6 Months	Another 10% of any unpaid tax

If your tax return is late 3 times in a row, then the £100 fines are increased to £500.

Filing late to both HMRC and Companies House, even by just a day can result in your company receiving penalty notices of £250.

MTD for Income Tax – An Overview:

The government has delayed the implementation of Making Tax Digital for Income Tax Self-Assessment (known as 'MTD for ITSA') until 6 April 2024, with MTD for general partnerships postponed to 2025. The change to the tax year basis for unincorporated businesses has also been delayed until at least April 2024.

The delays were announced to ensure businesses and landlords have sufficient time to prepare for MTD for ITSA in the aftermath of the COVID-19 pandemic.

Who does MTD for ITSA apply to?

MTD for ITSA applies to an individual, partnership or trust with total business or property income above £10,000 per year. The threshold of £10,000 applies to total gross income or turnover. For example, if an individual has £5,000 of rental income and £6,000 of sales from a sole trader or partnership business, they will be in the scope of MTD for ITSA because the total income (in this case £11,000) exceeds the threshold of £10,000.

What records need to be kept and submitted to HMRC?

Accounting records must be kept electronically (using compatible software or on a spreadsheet) and be filed quarterly with HMRC. The records must provide details of income and expenditure together with any other information specified by HMRC. A final end of period return will then be submitted after the tax year ends to complete the individual's tax reporting.

Although the frequency of reporting is to change, the timing of tax payments will not and the current system of payments on account by 31 July and balancing payment by 31 January after the tax year should remain in place.

Penalties:

To align with the introduction of MTD for ITSA in 2024, a new penalty regime is being introduced for Income Taxpayers required to use MTD in the tax year beginning in April 2024. For all other Income Tax taxpayers, the new penalty regime will be introduced in the tax year beginning in April 2025.

Each late submission of a return will result in a point. The penalty to pay is as follows:-

Past due	
1 to 15 days	Nil
16 to 30 days	2% of tax
31 days and over	4% of tax due plus 4% per annum

A £200 fixed penalty will be applied for each omission where the points threshold has been exceeded. The threshold for quarterly ITSA is four points. All points expire after a 12 month period, provided return obligations are met.

<u>What other changes were announced?</u>

Simple partnerships will not be required to join MTD for ITSA until the tax year beginning in April 2025. HMRC will confirm at a later date when complex partnerships will be required to join.

<u>Tax year basis:</u>

HMRC wishes all unincorporated businesses (such as sole traders) to switch to the tax year basis before the introduction of MTD ITSA in April 2024. The government hasn't yet responded to the consultation completed on the change.

<u>What this may mean for you:</u>

If you are a sole trader or a landlord and your income exceeds £10,000 from your businesses, you will need to be ready for MTD for ITSA by April 2024. If you are a sole trader and your trading period does not match the tax year, you will need to make arrangements to switch by April 2024.

MTD compulsory for VAT:

If you are VAT-registered and not yet filing your VAT returns using MTD compatible software, we need to talk. All businesses that are voluntarily registered for VAT (turnover under £85,000) need to comply with the MTD (Making Tax Digital) regime from their VAT period that begins on or after 1 April 2022.

You may have already received a letter from HMRC setting out your MTD obligations, which include the requirement to keep digital records. Don't panic! This is not as onerous as it sounds. If you record your business transactions on a spreadsheet, this counts as a digital record. It is not necessary to use cloud-based accountancy software, although that solution will suit some businesses.

You can transfer your spreadsheet to us by email; we can then plug it into our MTD software to send the figures required for the VAT return to HMRC. We should discuss who will be responsible for keeping the digital records and submitting the VAT return from April 2022.

VAT Reverse Charge Scheme:

On 1st March 2021, the VAT reverse charge for building and construction services came into effect for VAT registered businesses in the Construction Industry Scheme.

In a nutshell, the reverse charge means that a subcontractor in the CIS scheme will not charge VAT on its invoices to a contractor in the CIS scheme. Instead, the contractor will account for the VAT in their VAT return as both Output (sales) VAT and as Input (purchases) VAT.

Rules when making Sales:
If you are a UK subcontractor invoicing a UK contractor for CIS services (either *labour* or *labour plus materials* but not *materials only*) on which VAT would normally be charged at the Standard or Reduced VAT rate, you will no longer charge VAT.

Instead, you must make a note on the invoice to make it clear that the domestic reverse charge applies and that the customer is required to account for the VAT – e.g. "*Reverse charge: customer to pay VAT to HMRC.*". And you must clearly state how much VAT is due under the reverse charge (or the rate of VAT if the VAT amount cannot be shown) but the VAT due should not be included in the amount charged to the customer. You just include the value of the sale in Box 6 of your VAT Return.

Where the reverse charge applies, you should check and keep a record of the VAT numbers, CIS status, and UTR number of your customers for each contract so that you can provide such information to HMRC if requested.

You can check the validity of VAT numbers here: https://www.gov.uk/check-uk-vat-number

Rules when making Purchases:

If you are a UK contractor receiving invoices from UK subcontractors for CIS services (either *labour* or *labour plus materials* but not *materials only*), you should not be charged VAT. Instead, there should be a statement on each invoice saying something like: "*the domestic reverse charge applies and the customer is required to account for the VAT*" and each invoice should also state the VAT that you need to account for.

You should then enter the VAT figure in both Box 1 and Box 4 of your VAT Return (so netting off to nil) and the invoice value should be entered in Box 7 of the VAT Return.

You should, as usual, use the CIS verification system to ensure that your supplier is registered for the CIS: https://www.gov.uk/use-construction-industry-scheme-online

Bookkeeping Systems:

Fortunately, the various accounting software packages have been working out how to deal simply with the new rules. Including Sage, Xero, Quickbooks and Kashflow:

Construction Industry Scheme (CIS):

Subcontractor Verifications:

Since April 2017, CIS verifications have been mandatory, and contractors have had to use an approved method of electronic communication to verify their subcontractors. As well as on-line verification since April 2017 HMRC will no longer accept any telephone calls to verify subcontractors and from then you must verify subcontractors using the free HMRC CIS online service, or commercial CIS software.

Travel Expenses for Workers Paid Under CIS:

If a worker is paid within PAYE as an employee it is right and proper that his employer pays the costs of his getting to jobs in the course of his working day, or if he is sent to work away from home, the costs of travelling around the country.

If a worker is self-employed he is in business on his own account. He should be pricing for work and the price should include the costs of everything involved in that job. If the employer pays travel on top of an hourly rate or daily rate the whole thing begins to look like false self-employment (The employer is demonstrating that he thinks he is responsible for travel costs). So expect enquiries, and trouble, if you pay CIS worker travel costs, and remember that you **must** apply CIS deductions to everything you pay to CIS workers. You cannot pay the travel costs gross on the basis that it is a simple refund of cost expended. You are claiming that these workers are self-employed, so their travel costs are their own business, and all their receipts should be taxed as one sum.

Should you feel that you may be involved within the scope of the Construction Industry and that the CIS Scheme may affect you, please contact us straightaway, as severe penalties can be levied for non-compliance.

VAT Threshold:

The VAT registration threshold remains at £85,000 for 2022/23 tax year.

Corporation Tax Rates:

Corporation Tax rates have remained at 19% for the 2022/23 tax year, however, as advised previously, there are big changes coming.

Corporation tax is to increase to 25% in April 2023 - but it will still be the lowest rate in the G7, says the chancellor. However, 70% of companies - with profits of £50,000 or less - will still only be liable for the current 19% rate, while only those with profits of £250,000 or more will pay the full 25%. Companies with profits between £50,000 and £250,000 will pay tax at the main rate reduced by a marginal relief providing a gradual increase in the effective Corporation Tax rate.

Temporary Extension to Carry Back of Trade Losses:

In the Budget 2021, the Chancellor announced a temporary extension to the carry back of trading losses from one year to 3 years, for losses up to £2,000,000 for accounting periods ending between 1 April 2020 and 31 March 2022. Losses must be set against profits of most recent years first before carry back to earlier years.

There is no change to the current one-year unlimited carry back of trade losses, however, for the extended relief, the amount of loss that can be carried back to the earlier 2 years of the extended period is capped for each of those 2 years. This is a cap of £2,000,000 of losses for all relevant accounting periods ending in the period 1 April 2020 to 31 March 2021 (financial year 2020).

A separate cap of £2,000,000 applies for all relevant accounting periods ending in the period 1 April 2021 to 31 March 2022 (financial year 2021). Groups will be subject to a group cap of £2,000,000 for each relevant period.

Extended loss carry back claims will be need to be made in a return, however, claims below a de minimis limit of £200,000 may be made outside a return. This means that any stand-alone or group company with losses capable of providing relief up to a maximum of £200,000 may make a claim in respect of a relevant accounting period without having to wait to submit its company tax return.

What are Tax Evasion & Tax Avoidance?

Tax Evasion occurs when a person or company escapes paying taxes by concealing the true state of their affairs to tax authorities. It covers evasion of income tax or VAT, excise duty and custom duty frauds. On the other hand, Tax Avoidance is where a person or company legally exploits the tax system to reduce tax liabilities, such as establishing an offshore company.

Businesses may now be Criminally Liable:
Under the Criminal Finances Act 2017, which came into force on 30 September 2017, businesses are now criminally liable if an employee or an associated person (an agent or another third party) facilitates tax evasion whilst providing services on their behalf.

The Act, built on the existing Bribery Act 2010, already deems it a criminal offence for individuals or businesses to evade tax. Yet, the Act made it hard for the authorities to prove a business had been complicit in tax evasion, and the new legislation gets over this problem.

Failure to comply with this new law can result in significant financial penalties and even prison time, not to mention serious reputational damage. This means businesses need to take responsibility and have procedures to protect themselves. If one of your employees or a third party individual (e.g. a consultant) evades tax, you need to be able to prove that you had reasonable prevention procedures in place.

What's the maximum tax evasion penalty in the UK?

Violating the Criminal Finances Act 2017 can have crippling consequences for an organisation. The penalty for tax evasion can be anything up to 200% of the tax due and may even result in jail time. For example, income tax evasion can result in 6 months in prison or a fine of up to £5 000, with a maximum of seven years or an unlimited fine. Evasion of VAT carries similar punishment, though it could result in a £20 000 fine.

UK Tax Evasion:

HMRC's fraud investigations led to over 600 individuals being convicted for their part in tax crimes in a single year. Their Fraud Investigation Service brings in £5 billion a year through civil and criminal investigations.

Clearly, some individuals will go to great lengths to abuse the system and not pay their taxes. But the convictions show just how serious the HMRC is taking tax evasion. Prison sentences are getting longer too, and this is likely to continue.

Tax evasion often occurs with other crimes such as smuggling and money laundering. The main area of evasion and avoidance are:-

1. Fraudulent investment claims
2. VAT avoidance
3. Avoid tobacco taxes
4. Avoiding fuel taxes
5. Fraudulently reclaimed VAT
6. Fake investments
7. VAT fraud
8. Gift aid tax fraud

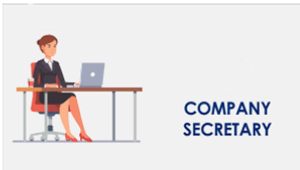
Company Secretary Role:

Companies House are still suggesting companies review their structure where they have either a single Director and no Company Secretary, or where there are Husbands and Wives as either both Directors or one a Director and one as Company Secretary.

This is because a scenario has been identified where a problem can arise with a Company operated by a sole Director with no Company Secretary. The scenario is that the Director can either pass away suddenly or become incapacitated, in a coma for example, and leave this Company without anyone authorised to operate the Limited Company in relation to Companies House. Therefore the Company in effect could not operate until either a Will had been settled, or a Power of Attorney secured.

It has also been highlighted that this could also occur where the only officials in a Company are Husband and Wife (or Partners). This is because there is a higher chance of you both being together if there was a car accident or an accident on holiday, than there would be if it was two non-related individuals were acting for the Company.

As this has been brought to our attention, we are notifying all affected clients. We do offer a Company Secretary Service, and this is already the case for a large number of our clients. Davis & Co, have no authority to sign or undertake any responsibilities, and take control or run the Company on your behalf, it is purely a measure to ensure that someone authorised is always available to deal with Companies House on behalf of the Company.



People with Significant Control (PSC) – What You Need to Know:

Changes to UK company law following the enactment of the Small Business Enterprise and Employment Act 2015 came into force on 6th April 2016. One of the aims of this piece of legislation was to increase the transparency of ownership of UK based companies and legal entities.

The key requirements contained within the new legislation are:

1. Identify those people with significant control over the company (a PSC);

2. Where necessary, contact these people in order to confirm their status as PSCs and their personal information;
3. Record the details of the PSC on the company's PSC register;
4. Provide this information to Companies House as part of the new annual Confirmation Statement (formerly the Annual Return); and
5. Keep the information in the PSC register up to date and update the information at Companies House when the next Confirmation Statement is made.

From 6 April 2016, there will be a requirement for a company to hold a PSC register.

A PSC is an individual who meets one or more of the following conditions in relation to the company:

A. directly or indirectly holds more than 25% of the shares;
B. directly or indirectly holds more than 25% of the voting rights;
C. directly or indirectly holds the right to appoint or remove a majority of directors;
D. otherwise has the right to exercise, or actually exercises, significant influence or control; or
E. has the right to exercise, or is actually exercising, significant influence or control over the activities of a trust or firm which is not a legal entity, but would itself satisfy any of the first four conditions if it were an individual.

Please note that for companies owned by another legal entity, the owning legal entity's details must be put on the PSC register if it is both 'relevant' and 'registrable'. It is relevant if it is required to keep its own PSC register or is listed, and it is registrable if it is the first Relevant Legal Entity (RLE) in the company's ownership chain.

If you do not immediately know the identity (or some of the above information) of a PSC or a RLE, you are required to take reasonable steps to identify them for the PSC register.

Employers' Insurance:

Most employers are required to have at least £5 million of employers' liability cover, or face a fine of up to £2,500 per day. You can also be fined £1,000 if you don't display your Employer's Liability Insurance Certificate. There are some exceptions to this rule, however, most public organisations and businesses that only employ close family members (as long as they're not incorporated as limited companies) don't necessarily need to have employers' liability insurance.

Do I need employers' liability insurance for subcontractors?
This depends on whether you're hiring 'labour-only' or 'bona-fide' subcontractors. Subcontractors who are 'labour-only' work under your direction and use your tools and materials. They are legally considered employees, and so they need to be covered by your employers' liability policy. On the other hand, subcontractors who are 'bona-fide' work under their own direction and provide their own tools and materials, and they usually don't need to be covered by your employers' liability policy.

Do I need employers' liability insurance if I am self employed?
If you're self-employed and you work on your own, there's no need to have an employers' liability policy (unless a contract requires you to have one). You usually only need it if you employ somebody else. There are other business insurance covers that could be useful for you, for example professional indemnity insurance or public liability insurance.

Do I need employers' liability insurance for contractors?
According to advice provided by the Health and Safety Executive (HSE), you may not need employers' liability insurance if you're hiring an independent contractor who also works for other organisations. This can be a complicated area, so it's best to seek advice if you're not sure.

Do I need employers liability insurance for a limited company?
If you run a limited company and you employ one or more people, or have more than one director, you need employers' liability insurance. Even if you've only got close family members on your staff, the fact that your company is incorporated as a limited company means that you're still required to have a policy.

Do I need employers' liability insurance for part-time workers?
Yes, you do need employers' liability insurance for part-time workers. Unless you fall under one of the exemptions, it's compulsory to have employers' liability insurance if you have any employees, even if they're part-time or temporary.

Do I need employers' liability insurance for volunteers?

If you've already got employers' liability insurance in place, it's likely that anyone who volunteers for you will be covered by this policy, although you should double check with your insurer. If you don't have an existing policy, it's probably a good idea to get one so that you're covered in case one of your volunteers makes a compensation claim against you.

GDPR - Review:

What is GDPR?

In the EU, GDPR stands for the General Data Protection Regulations or to give them their full name: the European Union's General Data Protection Regulations (EU) 2016/679. (The regulations are therefore a group of 'multiple things', but GDPR is usually described as a single thing.)

Much of GDPR is based on the UK's Data Protection Act 1998, which was considered to be Best Practice at the time – i.e. it provided the strongest protection of an individual's rights over their own personal information. The source of many of the concepts found in today's GDPR, is the UK 1998 Act.

Why was GDPR introduced?

The EU introduced GDPR in order to harmonise data privacy laws across the EU. This harmonisation makes it easier to trade across the bloc, without having to worry about there being different rules governing personal data protection in each country.

When did GDPR come into force?

GDPR became EU Legislation in April 2016. There was then a two year 'grace period' for companies to prepare for the changes, and it finally came into force on May 25th, 2018.

Has anything changed since Brexit?

The UK effectively left the EA and EEA at the end of the transition period, on 31st December 2020. So in 2021, does GDPR still apply to the UK post-Brexit? Well yes and no.

As we are now a 'third country' in relation to the EU, the EU GDPR does not apply. However, as part of the European Union (Withdrawal Agreement) Act 2020, the UK created a new law called the UK GDPR, which with a few tweaks is word-for-word identical to the EU regulations.

Who enforces GDPR?

We've established that GDPR does still apply, but it is the UK's own regulation, overseen by the UK justice system and administered by the UK's Information Commissioner's Office (ICO), whereas the EU's GDPR is overseen by the European Court of Justice, and administered by the European Data Protection Board (EDPB), composed of the representatives of the national data protection authorities of the countries that make up the EU and EEA.

Is GDPR worldwide and who does it apply to?

GDPR applies globally. The EU does not allow the processing of EU citizen's personal data in 'third countries' (any country which is outside of the EU/EEA), unless they have decided it is safe to do so. There are different ways at different levels that this decision can be made. The simplest way for this to happen is if the EU decides that the data protection laws in the third country give the same level of protection as does GDPR, and it would therefore be safe to allow EU citizen's personal data to flow between the EU and that country, and then be safely processed there.

This decision is called a 'Data Adequacy Agreement' and is made between the EU and a third country.

As part of the end of the transition period, the EU allowed the UK a further six-months where the status quo was maintained, and personal data could flow freely between the two, while they considered whether or not to give the UK a 'Data Adequacy Agreement'.

On 28th June 2021, two days before the transition period expired, the UK's Data Adequacy Agreement was finally announced by the EU. This decision will be reviewed by the EU in four years' time, in 2025. The decision means data can flow as it always has between the UK and EU/EEA, although UK companies still have to abide by EU GDPR if they are processing EU citizen's data – at present, this remains .

In just the same way, the UK does not allow the processing of UK citizen's personal data in 'third countries' (any country which is outside of the UK), unless they have decided it is safe to do so. The UK has retained the list of countries that the EU had determined to be adequate, and has added all EU/EEA countries to that list.

What is personal data under GDPR?
Personal data is also known as 'personally identifiable information'. The name "John Smith" by itself does not identify a person. But combine the name with an address – physical or electronic – or other ID such as a passport, driving licence or national insurance number, and that person can be uniquely identified. GDPR identifies different categories of personal data, with different levels of control around each:

- Personal data: e.g. email address, photograph, CCTV footage
- Special category data: more personal information, e.g. health/genetic data, ethnic, political or religious information, requires more stringent controls to be in place if it is to be processed safely
- Criminal record data: information related to offences and convictions is strictly controlled, though in the UK access to it is not completely banned

What is a data controller in GDPR?
A data controller is the person or organisation that has responsibility for maintaining the integrity and confidentiality of the personal data they are processing. A data controller may process the personal data themselves, internally, or they may pass the data on to another organisation to process on their behalf. It is the data controller's responsibility to inform a data subject about their rights in relation to the personal data that the controller has gathered and is processing, also to inform them of a breach of their data that could affect their rights and freedoms

What is a data processor in GDPR?
A data processor is a person or organisation that processes personal information on behalf of a data controller. Their main responsibilities are also to ensure the integrity and confidentiality of the personal data they are processing, and to inform the controller if there has been a breach of personal data. In addition, the processor must stick to the conditions laid out in the data processing agreement that is in place between the data controller and themselves.
Most organisations will be data controllers. If they have employees, the HR and payroll records will contain personal data. Similarly, if they hold the contact details of individuals working for suppliers or customers, they will be the controllers of that personal data.
Some organisations will also process data on behalf of their customers. For example, HR software providers, mailing houses, event coordinators – anyone that holds or otherwise processes personal data on behalf of their customers, will be a data processor.

What are the 7 principles of GDPR?

Whenever you are processing personal data, GDPR provides guidelines on how this data should be handled. GDPR sets out seven personal data protection principles, that every organisation that processes personal data should understand and adhere to.

Before getting into what they are, let's start with a definition of 'processing': "…collection, recording, organisation, structuring, storage, adaptation or alteration, retrieval, consultation, use, disclosure by transmission, dissemination or otherwise making available, alignment or combination, restriction, erasure or destruction", of personal data i.e. anything you could possibly think of to do with data!

The Seven Principles are:

1. Lawfulness, fairness and transparency;
2. Purpose limitation;
3. Data minimisation;
4. Accuracy;
5. Storage limitation;
6. Integrity and confidentiality (security);
7. Accountability.

Let's take a brief look at each one in turn:

1. Lawfulness, fairness, and transparency

Lawfulness – What is GDPR article 6 and why is it so important?

This is one of the most important principles of GDPR – it even has its own section in the regulations: Article 6.

The default that GDPR assumes is that personal data should **not** be processed, ever, by anyone!

The only way that a company may process personal data, is if they have a reason permissible by GDPR. This is called a 'lawful basis of processing'.

A lawful basis can be any one of just six valid reasons for processing personal data:

1. **Consent**: the person whose data it is – the "Data Subject" – gives you explicit permission to process their data.
2. **Performance of a Contract:** the personal information is required in order to execute a contract between yourself and the Data Subject.
3. **Legitimate Interest**: the personal information is required in order for the company to 'do what it does' in relation to the Data Subject
4. **Vital Interest:** personal information is processed to serve a vital purpose, such as saving the Data Subject's life

5. **Legal Requirement:** the Data Subject's personal information must be processed in order to comply with legislation
6. **Public Interest**: the Data Subject's personal information is processed by or at the direction of a government body

Fairness

GDPR expects that any and all processing of personal information is fair – that processing is what would be reasonably expected, not unreasonably damaging to the Data Subject, and that they are not deceived in any way about the purpose of the data processing when it is being collected.

Transparency

GDPR expects that before starting any collection and processing of a Data Subject's personal information, the reason for that collection and processing is explained clearly; nothing is hidden from them. An organisation must be open and honest about their purpose at all times.

2. Purpose limitation

If you have determined that you are going to collect personal information for a particular purpose, the processing should be limited to that purpose – and nothing else.

A good example of the abuse of purpose limitation:

You have a list of existing customers and their contact details, whose information was originally collected to communicate with them about the product or service they purchased from you. It is a breach of the principle of purpose limitation if you start using that list as a marketing database to sell your other products or services. (What you can do is establish another lawful basis, by contacting existing customers to ask if they would like to join your mailing list, and only sending them marketing material if they agree to it.)

3. Data minimisation.

Only collect the information required for the purpose; if you don't need it, don't ask for it!

4. Accuracy.

The controller should ensure that the personal information held is as accurate as possible. This means that, when notified by the Data Subject that their information has changed, their records are swiftly and correctly updated. Also, if the data controller has passed that information on to another organisation, they are obliged to inform that organisation of the change.

5. Storage limitation. How long can you keep personal data under GDPR?

Once a lawful basis of processing has ended, the data controller is breaking the law if they continue to keep personal data. The data controller should establish data retention periods: the length of time after which personal data must no longer be stored. The length of time will vary according to the lawful basis. Looking at information held relating to an employee, for example:

- Some health records must be retained for 30 or more years.
- Tax law requires PAYE records to be retained for six years following the end of the tax year.
- Other personal information such as next-of-kin contact details, are unlikely to be required beyond the end of an employment contract

6. Integrity and confidentiality (security)

Whenever you are processing personal data, you must do so in a way that ensures appropriate security. This includes protection against unauthorised or unlawful processing, and against accidental loss, destruction or damage. This should be done using whatever physical (e.g. locks and keys), organisational (e.g. processes to ensure safe handling) or technical (e.g. data encryption, password protection) means are available.

7. Accountability

Anyone who is handling data needs to be properly trained and fully aware of exactly what GDPR compliance means. Ultimately it is the job of the controller's themselves to ensure that GDPR compliance is maintained and that customer privacy is held with the utmost importance.

Once you have implemented the controls to comply with all the other principles, you must ensure the effectiveness of those controls. This means you must have appropriate measures and records in place to be able to demonstrate your compliance.

IR35 Changes & Compliance:

IR35 changes: what happened in April 2021?

After a delay, private sector IR35 changes were introduced in April 2021. These changes introduced public sector rules to the private sector, shifting responsibility for working out IR35 status from the contractor to the client.

April 2021's IR35 changes mean that:

- medium-sized and large businesses are responsible for working out the contractor's employment status, not the contractor
- contractors should be given the reasons behind the decision in a Status Determination Statement, and can dispute the decision if they disagree with it (public sector clients also now need to give contractors a Status Determination Statement)
- small businesses are exempt from the changes, so if a contractor works for a small client, the contractor will still be responsible for working out their employment status

End clients in both the private and public sector need to show they've taken reasonable care when working out IR35 status. If they haven't, HMRC holds them responsible for getting things wrong. They also need to keep records relating to employment status determinations, including how they've made their decisions.

IR35 rules: am I compliant?

In general, IR35 won't apply if the contract is for services rather than employment. To untangle that, you should see whether the contract specifically mentions these principles:

- supervision, direction, control – this relates to how much say your client has over how you complete your work. For example, if you have to work at certain times, this implies employment
- substitution – could you bring someone else in to complete the contract, or do you need to do the work yourself? If you can't send someone else, you're likely to be inside IR35
- mutuality of obligation (MOO) – is there an obligation on the employer's end to offer work, and do you have to accept it? This is called mutuality of obligation, and if an element of it exists, the contract may fall inside IR35

The contract has to reflect your actual working practices – essentially, the clauses need to be genuine.

Supervision, direction, control:

For a contract to fall outside IR35, contractors should have freedom over how they complete their work.

- a contract that specifies things like the time you can start and finish work, or the days you're required to work, points towards employment
- a contract might also point towards employment if a client oversees your work excessively and gives guidance on how to complete it
- plus, if you're not only providing your services for the agreed job but also working on different tasks as your client sees fit, the contract is likely to be inside IR35

Substitution:

For a contract to fall outside IR35, you should be able to send a substitute to complete the work instead.

- does your client only want you, or services more broadly? An outside IR35 contract might state that someone else can provide their services to complete the work
- the clause has to be genuine – you should know which skilled contractors you would ask
- plus the contract can't be so restrictive that you essentially need to do the work yourself

Mutuality of obligation (MOO):

This is an important clause in a contract, as it's a key test when working out self-employed status. If the client is obliged to offer work (and pay you) and you're obliged to take it, this demonstrates a contract of employment.

- in practice, this means a self-employed contract involves working on a project-by-project basis
- once you've completed a project, you're under no obligation to work on further tasks (and the client is under no obligation to offer them)
- you should also consider whether you can work for other clients simultaneously. If that's prohibited, it points towards employment

Other IR35 criteria:

There's more criteria to consider when working out IR35 status:

- equipment – HMRC often tries to argue that if equipment is provided by the client, and you don't use your own, you're a disguised employee
- financial risk – self-employed contractors usually take a degree of financial risk, like any other business. Are you responsible for errors made during the contract, and would you need to rectify them in your own time? There's usually a requirement to have professional indemnity insurance

- the way you're paid – self-employed people are paid on a project basis, which might mean when the work is completed or at particular project milestones
- 'part and parcel' of the organisation – if contractors become so ingrained that they become part of a company's structure, with people reporting to them for example, this points to employment rather than self-employment
- exclusivity – do you work for other clients? Typically the self-employed can work for multiple clients at once
- intentions of the parties – the contract should make sure the relationship between contractor and client is one of supplier and customer, but this should be genuine. If HMRC found the actual intended relationship is more like an employee and employer, it'll ignore the contract
- business 'on your own account' – essentially this determines whether you're actually running your business as a business. If you have things like a business website, a dedicated office space, and even employees, you could be seen as operating a business and not offering your services in the same way as an employee

Make sure you clarify your relationship with the hirer before you start the contract by considering all of these principles.

Stop and Think:

1. A genuine bank or organisation will never contact you out of the blue to ask for your PIN, full password or to move money to another account. Only give out your personal or financial details to use a service that you have given your consent to, that you trust and that you are expecting to be contacted by.

2. Clicking on links/files: Don't be tricked into giving a fraudster access to your personal or financial details. Never automatically click on a link in an unexpected email or text.

3. Personal information: Always question uninvited approaches in case it's a scam. Instead, contact the company directly using a known email or phone number.

Business Rates Relief 2022/23:

Business rates relief for 2022/2023:

From 2022/23, eligible retail, hospitality, and leisure properties will benefit from 50% business rates relief and a frozen business rates multiplier.

The 2021 Autumn Budget announcements included a series of measures to alleviate the burden of business rates in England. For 2022/23, 50% relief will be available for eligible retail, hospitality, and leisure properties, and the business rates multipliers will again be frozen.

2022/23 measures:

The business rates multipliers for the current year have already been frozen at 2020/21 levels, and this measure will continue until 31 March 2023, keeping the multipliers at 49.9p (small business) and 51.2p (standard).

Many businesses already pay no business rates due to small business rates relief, and retail, hospitality, and leisure properties currently benefit from a 66% discount. For 2022/23, retail, hospitality, and leisure properties not qualifying for small business rates relief will receive a 50% business rates discount, subject to a cash cap of £110,000 for each business.

Eligibility for the 2022/23 50% discount will not be as wide as the current 66% discount, although detailed guidance has not yet been published.
Longer-term

The Budget announcements are a far cry from the hoped-for radical reform of business rates, although a raft of other measures effective from 2023 will help over the longer term. These include:

- Revaluations to take place every three years starting from the next revaluation in 2023 (recently, the interval has been longer than the scheduled five years);
- A 100% improvement relief will provide relief for 12 months from any additional rates charge where improvements increase a property's rateable value. Most plant and machinery has no impact on rateable value, but the new relief will help, for example, if CCTV is installed or bike sheds added.
- For green investments, an exemption from higher rates bills will apply where, for example, rooftop solar panels or electric charging points are installed. A 100% relief will also be provided for eligible low-carbon heat networks.

Business Asset Disposal Relief – a raw deal for entrepreneurs?

Business asset disposal relief (BADR, formerly entrepreneur's relief) is an important relief from capital gains tax (CGT), which applies a 10 per cent CGT rate rather than the current main rate of 20 per cent, to the first £1m of lifetime qualifying gains by individuals, therefore creating a tax saving of up to £100,000.

The current situation:

The BADR lifetime limit was reduced from £10m to £1m for disposals made on or after 11 March 2020, thereby considerably reducing the available tax saving. This begs two questions: who is BADR aiming to serve? and, are the objectives of this relief really being met?

For longer-term passive investors, a range of attractive tax reliefs is available, including the enterprise investment scheme (EIS), the seed enterprise investment scheme (SEIS) and investors relief amongst others. Yet it is not these investors that are often putting their homes or their livelihoods on the line to raise funds to start and build a business.

The coronavirus pandemic became the catalyst for a 'start-up' revolution as many of those that were furloughed plucked up the courage to go out on their own, and so now feels like the right time to assess whether BADR remains fit for purpose.

Is there relief for the main risk-taker?

In a report issued in November 2020, the Office of Tax Simplification (OTS) opined that BADR, 'is mistargeted if its objective is to stimulate investment and risk-taking by business owners.'

For many people starting out in business, an eventual sale of that business may feel very distant and therefore a potentially uncertain reduced tax rate on any gain arising on a future disposal is unlikely to be a compelling reason to take investment risk. Instead, the OTS considers that risk-taking would be better encouraged by a smaller upfront tax relief, akin to the popular EIS and SEIS reliefs that are currently unavailable to those connected with qualifying companies, including directors, employees and individuals holding a significant interest.

What is more, the CGT reliefs available to EIS and SEIS investors typically encourage repeated investment, so would introducing a similar type of relief for entrepreneurs achieve more by way of stimulating investment in the UK economy?

What is the solution for those looking to retire?
Whilst an EIS style relief could be the answer for the go-getters of today, an abrupt end to BADR is unlikely to serve those looking to retire and cash-in on their business and benefit from up to £100,000 of relief that is currently within touching distance.

The OTS has also raised concerns that the minimum 5 per cent shareholding and 24 month holding period requirements may be counterproductive in their attempt to target BADR at true entrepreneurship and can distort behaviour. For example, a company board keen to raise additional external funding or for a founder shareholder to move on may be met with that shareholder insisting on retaining at least a 5 per cent shareholding to preserve their entitlement to BADR on an eventual sale.

The OTS goes on to suggest that if the minimum shareholding requirement was increased to 25 per cent, or the minimum holding period increased from 2 years to 10 years, this may better target genuine owner-managers rather than short-term passive investors.

Careful changes needed to improve the incentive effect:
Any further restrictions in the BADR rules, combined with a potential increase in the main rate of CGT, which has repeatedly been feared, could be severely detrimental to many business owners and the Government will need to be mindful of those that could, at least in the short term, potentially lose out. In the meantime, we would encourage business owners to keep abreast of any proposed changes which may impact them.

National Insurance Rates:

The HMRC have increased the NI thresholds for the 2022/23 tax year as follows:-

Class 1 £190.00 p.w to 5th July 2022, then £242.00 p.w.

Class 2 £3.15 p.w.

Class 4 £9,881

The chargeable rates are as follows:-

Class 1 13.25% for Employee (15.05% for Employer)

Class 4 £9,100 - £50,270 at 10.25%
£50,270 - Uncapped at 3.25%

Employment Allowance:

What is the Employment Allowance?
The Employment Allowance lets eligible employers reduce their National Insurance liability by up to £5,000 for the 2022/23 tax year. It's designed to support smaller employers with their employment costs.

In the Spring Statement, it was announced that from April 2022, the allowance would increase from £4,000 to £5,000.

This means that you'll pay less employers' Class 1 National Insurance each time you run your payroll until the allowance has gone, or the tax year ends, whichever is first. You can still claim the allowance if your liability was less than £5,000 a year.

Employers’ Class 1 National Insurance contributions, rates, and thresholds for the 2022/23 tax year can be found on the government website, including the Health and Social Care levy increase.

Am I eligible to claim?

✔ You are registered as an employer.

✔ Sole trader, limited company or partnership that has employees.

✔ A limited company that employs only directors, where two or more directors earn more than the secondary threshold for Class 1 National Insurance contributions. There is additional guidance from HMRC for single-director companies.

✔ Employers’ Class 1 National Insurance liabilities were less than £100,000 in the previous tax year.

However, it doesn’t apply to contributions made where IR35 applies, so don’t include off-payroll workers in your calculations, as they don’t count towards the £100,000 threshold.

You can find more information about the eligibility criteria on the government website.

How does it work?

The £5,000 allowance applies to your business, not to individual employees. So, for example, if your NI bill is £5,500 in total for the tax year, you’ll only need to pay the £500 excess.

If you have more than one payroll, you can only claim against one of the payrolls. The allowance is classed as de minimis state aid if you make or sell goods and services. There’s a limit to how much of this you can get. Check the government website for more information.

How do I claim?

You can claim at any point during the tax year as part of your Real Time Information (RTI) submission to HMRC. You’ll then pay less employer NICs each month until the £5,000 total has been reached. The government has detailed guidance on how and when to make your claim. You can start using your allowance as soon as you submit the claim.

What is an employment payment summary?

Claiming Employment Allowance isn’t an automatic process, so you’ll need to tell HMRC that you qualify and want to claim. An employment payment summary (EPS) is sent to HMRC to apply any reductions on what you’ll owe from your Full Payment Submission, including the Employment Allowance.

Do I only need to tell HMRC once?
You need to claim the Employment Allowance every tax year to ensure you're still eligible. Relief can't be carried over between tax years.

If your situation changes and you're no longer eligible for the allowance, you'll be required to make repayments.

Can I claim for previous years?
Yes, you can backdate claims for the previous four tax years. You'll need an EPS for each year's claim. Check the government website for more details.

We have ensured that this benefit has been claimed by all our eligible payroll clients, however, if you prepare your own payroll and are unsure if you have claimed, please get in touch and we will check for you.

Salary vs. Dividends
Taking Income from your Company:

What's the most tax-efficient way for company directors to take income?
If you run a company (even if it's a one-person contractor company) here are the three different ways that you can choose to pay yourself: salary, dividends and pension contributions.

How should I take an income from my company?
Most directors of limited companies pay themselves in some combination of salary and dividends, often supplemented by pension contributions from the company. Finding the right combination for you will depend on a number of factors, such as

- The company's profits
- How much you want to reduce your personal tax bill
- How much you want to reduce the company's tax bill
- Whether you want to retain certain state benefits (e.g. maternity benefits or state pension)

Taking a salary from your company:
As a director, it's a good idea to take at least a small salary. This mean putting yourself on your company's payroll. There are several benefits of taking part of your income as salary.

The benefits of taking a salary:

- You build up qualifying years towards your state pension
- You can make higher personal pension contributions
- You can retain maternity benefits
- It can be easier to apply for things like mortgages and insurance policies such as critical illness cover
- You reduce the amount of corporation tax that your company pays (as salary is an allowable business expense)
- You can take a salary even if your business makes no profit

There are however several drawbacks to taking a salary, particularly a large one.

The drawbacks of taking a salary:

- Taking a salary means that both you and the company have to pay National Insurance contributions (NICs)
- A salary also attracts higher rates of income tax than a dividend does

Deciding how much salary to take:

You don't pay income tax on your earnings until pass the personal allowance (currently £12,500 in the 2019/20 tax year). However, you will have to pay NICs if your income passes the NIC Primary Threshold (currently £8,632).

Note that in order to build up qualifying years for the state pension, your salary must be at or over the NIC Lower Earnings Limit (currently £6,136). Some directors therefore set their salaries between the Lower Earnings Limit and the Primary Threshold, so as to keep their state pension but avoid paying NICs.

Taking dividends as income:

Many directors choose to take the majority of their income in the form of dividends, as this is usually more tax-efficient.

What are dividends?

A dividend is simply a share of the company's profits. Profit is what is left over after the company has settled all its liabilities, including taxes. If there is no profit, then no dividends can be paid.

Dividends can be paid to directors and other shareholders, according to the proportion of shares that they hold. There is no requirement to pay all the profits as dividends, or even any of them. A company can retain profits over a number of years and distribute them as the board decides.

The benefits of taking dividends

- Dividends attract lower rates of income tax than salary

- No NICs are payable on dividends (neither employer's nor employee's)

By taking most of your income in the form of dividends, you can significantly reduce your income tax bill.

Your Dividend Allowance:
You have a tax-free dividend allowance, which is in addition to your personal allowance. In the 2022/23 tax year this allowance is £2,000. This means that you can earn up to £14,570 before paying any income tax at all.

Income tax rates on dividends:
Dividends attract a much lower rate of income tax than salary does. There is also a slightly greater tax-free allowance when you are paid in dividends.

The drawbacks of taking dividends:
Although taking your income mostly in the form of dividends may seem like a no-brainer, there are certain limitations and pitfalls to watch out for.

- Dividends can only be paid out of profits
- Relying too much on dividends can make your income unpredictable
- Dividends are paid after corporation tax has been deducted (unlike salary, which is a tax deductible expense)
- If you accidentally take a dividend that is not covered by profits, you will have taken out a director's loan which must be repaid
- Dividends don't count as 'relevant UK earnings' for the purposes of tax relief on pension contributions that you make yourself (see below)

If you plan to rely on dividends for some or most of your income, then ensure you have a rigorous accounting function in place to declare profits and account for dividends in good time. Your accountant can also help you work out which method of payment is most tax-efficient for both yourself and your company – as this can be quite convoluted.

Receiving pension contributions directly from your company:
A third possible way to receive tax-efficient remuneration is in the form of pension contributions directly from your company. This is different from contributing to your pension yourself, as it counts as an employer pension contribution.

The benefits of taking employer pension contributions

- Pension contributions don't add to your income, so don't increase your tax bill
- They are an allowable business expense, saving up to 19 per cent in corporation tax bill

- There are no employer NICs to pay, saving another 13.8 per cent
- Employer pension contributions are not limited by the size of your salary

The last point above is an important one. As an individual, you are not allowed to pay more into a pension in a year than your salary for that year. Therefore, if you are taking a small salary plus dividends (as discussed above) then you can't pay very much into your pension.

However, employer pension contributions are not limited in this way. They are limited only by the annual allowance (currently £40,000). So your company can contribute up to this amount into your pension, even if you are on a small salary.

<u>The drawbacks of taking employer pension contributions:</u>
The main downside of taking remuneration in the form of pension contributions is the obvious one: you can't access your pension until at least the age of 55. Therefore pension contributions can't be a substitute for salary or dividends, just a welcome addition to them.

Please talk to us about the most tax-efficient ways for you to pay yourself from your company.

Companies House Scam E-Mails:

Companies House are also still warning people to be suspicious of any unsolicited emails, even if they look like they're from a trusted source. Companies House will never ask you to disclose personal or payment information by e-mail.

If you have any doubt that an email you receive from Companies House is genuine, please do not follow any links, open any attachments, disclose any personal details or respond to it.

Companies House have also confirmed that it will never contact you via e-mail and have advised anyone who receives an e-mail claiming to be from Companies House to:

- not to click on any links or attachments

- forward it to phishing@companieshouse.gov.uk.

and then

- delete it permanently.

Companies House is unable to investigate paper copies of suspicious e-mails / websites so you will need to forward the suspicious e-mails to the e-mail address shown above.

You can also report any suspicions to Action Fraud, the national fraud and Cyber Crime reporting centre for the police.

Tax Free Benefit for Directors and Employees! And it's not too good to be true.

Don't be put off by the technical name. What are called 'trivial' benefits, are far from trivial. They can make a very worthwhile add-on to remuneration, allowing you to provide a benefit to an employee with no tax, no National Insurance: and no need to notify HMRC. There's no limit on the number you can provide in a year - except for company directors and family members. An added advantage is that employers can claim income or corporation tax relief on the cost involved.

But strict criteria apply. Critical small print. A benefit must meet the following conditions…….it must not cost more than £50 (including VAT) to provide and must not be cash or a voucher that can be redeemed for cash. Non-cash vouchers, like store cards, pass the test, though. It must not be a reward for particular services carried out by the worker, and should not be in the terms of the worker's contract. Neither can it form part of a salary sacrifice arrangement. Don't make it a reward for services.

Trivial benefits can fail the rules by appearing to be a reward for services. So don't give a bottle of wine because someone made a great contribution – make it a

morale booster on a grey day. Some businesses have used trivial benefits to enhance staff wellbeing during Covid-19, for example. What constitutes a contractual element can be contentious:
HMRC maintains that repeated provision of a benefit could create a legitimate employee expectation. This could then be viewed as a contractual arrangement which would fail to qualify. Getting it right for company directors.

There's a £300 limit to the trivial benefits that directors or office holders of 'close' companies (limited companies run by five or fewer shareholders) can receive in any one tax year. This includes benefits given to family or household members who aren't directors or employees of the company. But if other family members are also directors, they have their own £300 limit. Working with you Trivial benefits were very much on HMRC's radar a year or so ago, but professional opinion is that HMRC's interpretation of the rules could be unduly restrictive.

Benefits that Depend on NI Contributions:

Your entitlement to several National Insurance Benefits, as well as the amount you will receive, will depend on your NIC contributions (or in some cases your spouse or civil partner's).

Access to the following benefits depends on NI contributions:

- Contribution based Jobseeker's Allowance (Class 1 NICs only)
- Incapacity Benefit (if you can't work for long periods due to illness or injury)
- Contribution based Employment and Support Allowance (ESA)
- State Pension
- additional State Pension (Class 1 NICs only)
- Maternity Allowance
- Widowed Parents' Allowance
- Bereavement Allowance
- Bereavement Payment

2022/23 PAYE Year End Dates:

5th April	End of current tax year. Full Payment Submission (FPS) with year-end PAYE information must be made under Real Time Information (RTI).
6th April	New Tax Year Starts.
19th April	Final submission must be made to HMRC under RTI for the year. Deadline for postal payments remittance of PAYE, NICs and CIS to HMRC.
22nd April	Deadline for electronic payments to be cleared by HMRC for previous tax year
31st May	Last date for P60's to be given to all employees.
6th July	Deadline for P11d's to be filed with HMRC
19th July	Class 1 A payment to reach HMRC (postal). Deadline for postal payments remittance of PAYE, NICs and CIS to HMRC.
22nd July	Class 1 A payment to reach HMRC (electronic)

Increases to National Minimum Wage / Living Wage & Penalties:

The National Living Wage (NLW) and National Minimum Wage (NMW) rates have risen again significantly from April 2022. The NLW will increase by 2.2% from £8.72 to £8.91 per hour, and will be extended to 23 and 24 year olds for the first time.

From April 2021, the NLW became the statutory minimum wage for workers aged 23 and over, reducing from workers aged 25 and over. The reduction in the NLW age threshold follows a review of the structure of the National Minimum Wage youth rates and recommendations made by the LPC in autumn 2019. The threshold will further reduce to 21 by 2024.

The new rates as follows:-

Year	**23 and over**	**21 to 22**	**18 to 20**	**Under 18**	**Apprentice**
Apr 2021	£8.91	£8.36	£6.56	£4.62	£4.30
Apr2022	£9.50	£9.18	£6.83	£4.81	£4.81

National Minimum Wage and Company Directors:

The minimum wage does not apply to company directors unless they also have contracts that make them workers. Company directors are office holders in common law and can do work and be paid for it in that capacity. This is true no matter what sort of work is done or how it is rewarded.

However, company directors who also have an employment or worker's contract with their company will need to be paid the minimum wage for work done under that contract. If a company director is unsure whether they have entered into a contract with their company which makes them a worker for minimum wage purposes, they may wish to take independent legal advice.

Reminder about Employee Payslips!

Since 6 April 2019, employers have been required to provide all of their staff with 'fully itemised' payslips, which clearly break down how workers' pay has been calculated in instances where hours – or the rate of pay itself – is variable. The payslip must show the hours worked and relevant rates of pay.

The aim is to increase transparency between employers and employees.

Holiday Entitlement:

The law states that almost all workers who work a five-day week are legally entitled to 5.6 weeks of paid holiday per year (otherwise known as leave entitlement or annual leave). This includes agency workers, those with irregular hours and workers with zero-hours contracts.

Here are the key elements of the holiday entitlement rules:

- Part-time workers are entitled to the same level of holiday pro rata (but this will amount to fewer than 28 days). The Government has a holiday entitlement calculator to help you work this out
- No minimum period of service is required to be entitled to 5.6 weeks of annual leave
- Employers can specify the leave year
- Those working irregular hours are entitled to accrue paid leave for every hour they work
- Employers can require employees to work on a bank holiday and take the annual leave on an alternative date. Likewise, employers can offer more than the minimum 5.6 weeks leave

- All workers should have their leave entitlement specified within their contract of employment and an employee will start to accrue leave from the moment they start work
- Employers are able to specify (in writing) the notice period which should be given before the leave is taken. If not, then the notice period reverts to that specified by law (which is twice the period of leave being requested)
- Employers are legally allowed to control when periods of leave are taken, particularly if it will have an impact on the business
- Staff on maternity, paternity or adoption leave will continue to accrue holiday leave

Coronavirus and carry-over holiday:

- Coronavirus does not impact workers entitlement to holiday pay and leave, except for the introduction of new carry over rules. Staff who were furloughed are entitled to accrue leave in the same way had they been at work
- How many days leave an employee can carry over into the next year should be specified in the contract. If a worker gets 28 days leave, they are entitled to carry over a maximum of eight days. However, if they receive more than 28 days then employers can allow them to carry over additional untaken leave (again depending on what's specified in their contract)
- Workers can now carry over untaken leave into the next two years if they are unable to take it because their work has been affected by coronavirus (depending on industry and company policy). This covers a number of factors such as: covering for co-workers, no opportunity to take leave as this would impact the business with all staff on leave at once or if they are classified as critical workers and needed during the pandemic
- If an employee is unable to take all of their leave entitlement due to already being on another type of leave (such as maternity or sick leave) then they are entitled to carry over some or all of their untaken leave into the next year
- The law states that employers have to allow workers to carry over a maximum of 20 days from their 28 days if that employee couldn't take any annual leave in the leave year because they were off sick.

Pay in lieu of holiday:

- Employers cannot replace statutory holiday entitlement by payment in lieu, unless the employee's contract of employment has been terminated
- Holiday pay is at the same rate as normal pay for employees and should be specified as such in the employment contract

Calculating holiday pay:
Another responsibility for employers is calculating holiday pay. Remember that employees are entitled to a week's pay for each week of statutory leave they take.

This means that most are entitled to 5.6 weeks of paid holiday each year.

To work out what a week's pay is – employers need to look at the hours that employee works and how they are paid. This includes those working full-time, part-time, term time and casual workers. The Government has a useful holiday calculator.

- Employees on fixed hours and fixed pay (full or part time): a worker's pay for a full week
- Those on shift work with fixed hours (full or part time): calculated on the average weekly fixed hours they have worked in the past 52 weeks (based on their average hourly rate)
- Those with no fixed hours (including zero hours contract): the average pay for the past 52 weeks (but only including the weeks they were paid)

How much notice do you need to book holiday?
There is a general rule around the notice period required to book time off. This is twice as long as the amount of leave requested plus one day. So, for example, an employee would give four days' notice for two days of leave.

The same works in reverse. Employers can refuse or cancel holiday requests but must also give as much notice as the amount of leave requested (plus one day). This is unless the employment contract says differently.

Controlling when leave is taken:
Employers are entitled to tell staff when to take leave (such as Christmas and bank holidays). They can also restrict times when leave is taken, such as busy periods for the business. This should be included in the employment contract. The notice period for restricting leave is at least twice as long as the leave the employee wants to take. Employers can also not enforce employees to take leave if they are sick.

Paid / Unpaid Leave:

For Expectant Fathers / Partners:

Since 2014 expectant fathers and partners, including same sex partners, have the right to unpaid leave to accompany expectant mothers to two antenatal appointments. The time off is capped at six and a half hours for each appointment. There is no qualifying period for an employee to have this right.

There is no legal right to paid time off for antenatal appointments. However, employers may allow this time off with pay under the terms and conditions of employment, or allow employees to take annual leave, swap shifts or make up time.

For Adopters / Surrogacy Parents:

The main, or only, adopter is entitled to paid time off to attend up to five adoption appointments. You are entitled to be paid at your normal hourly rate and the maximum amount of time off that you can take for each appointment is 6.5 hours. The secondary adopter, if relevant, will be entitled to take unpaid time off for up to 2 appointments.

The right to 2 unpaid antenatal appointments will also extend to those who will become parents though a surrogacy arrangement, if they expect to satisfy the conditions for, and intend to apply for a Parental Order for the child.

Statutory Maternity Leave:

Eligible employees can take up to 52 weeks' maternity leave. The first 26 weeks is known as 'Ordinary Maternity Leave', the last 26 weeks as 'Additional Maternity Leave'.

The earliest that leave can be taken is 11 weeks before the expected week of childbirth, unless the baby is born early.

Employees must take at least 2 weeks after the birth (or 4 weeks if they're a factory worker).

Statutory Maternity Pay (SMP):

SMP for eligible employees can be paid for up to 39 weeks, usually as follows:

- the first 6 weeks: 90% of their average weekly earnings (AWE) before tax
- the remaining 33 weeks: £156.66 or 90% of their AWE (whichever is lower)

Tax and National Insurance must be deducted if appropriate.

Changes to the Treatment of Termination Payments:

What are termination payments?
Termination payments are severance payments to employees on termination of their employment. They can arise in a number of ways, for example, in connection with dismissal or constructive dismissal, redundancy, retirement, departure because of disability.

Termination payments must be taxed correctly

- HM Revenue & Customs (HMRC) can recover unpaid tax, national insurance contributions (NICs), penalties and interest from the business if termination payments are not taxed correctly.
- A business should consider both income tax and NICs. In addition to employee's NICs, the business must pay employer's NICs on payments that constitute earnings from employment. This can add significantly to the costs of settlement.
- If the business does not deduct tax or NICs from a termination payment it will be generally liable for the tax and NICs not deducted, plus interest and penalties. A failure to deliver PAYE returns on time (or at all) may lead to more penalties.
- Both the business and its former employee will want the termination payment to be legitimately structured to:
    - reduce the tax liability; and
    - increase the certainty that no future liability will arise.

How much of the termination payment is taxable?
How much of a termination payment is taxable will depend on the nature and amount of the payment. Payments fall into a number of categories including:

- Sums that the employee was contractually entitled to, or were connected with, past or future service. These are generally taxable in full and include:
    - salary payments;
    - contractual bonus or commission;
    - contractual payments in lieu of notice (PILONs); and
    - automatic PILONs.
- Consideration for entering into restrictive covenants. This is taxable in full.
- Non-contractual payments made as a result of the termination and redundancy. The first £30,000 is tax-free. These include:

- damages for wrongful dismissal and payments on account of damages;
- compensation for unfair dismissal;
- compensation for discrimination made in connection with the termination to compensate for financial loss;
- payments of statutory and non-statutory redundancy; and
- non-contractual benefits in kind provided on termination.

* Payments where termination results from a disability or from a discrimination claim not connected to the termination. These are tax-free without limit.
* Share options and share awards. Employees may be entitled to exercise share options and receive share awards either before or at some point after termination. The tax and NICs liabilities will depend on a number of factors, including:
    - whether the scheme is HMRC approved;
    - the length of ownership; and
    - the reason for cessation of employment.

A cash cancellation or compensation payment will be fully taxable?
Employer contributions to registered pension schemes. These may be made tax free, subject to the annual contribution limit.

Tax-free benefits that can be provided to employees?
Provided that payment is made directly to the provider of the service, the following services can be made available to an employee without attracting tax:

* Legal fees in connection with a compromise agreement.
* Outplacement counselling.
* Re-training.

Official Interest Rate:

The Official Interest Rate has been reduced from 6th April 2022 to 2% (21/22 2%). This rate is used to calculate a taxpayer's benefit-in-kind charge on beneficial loans, for example.

How to Handle Late Paying Customers:

Late payment can be one of the biggest challenges that small businesses and freelancers have to face. Cashflow is extremely important to a business, yet all will - at some point - face customers who are slow at paying, whether they are suffering financially or not.

Many companies simply back down due to their clients' reluctance to pay up, and some because of the awkward conversations it can create. However, when collecting what you are rightfully owed, it helps to follow a defined step-by-step process which will help you get your invoice paid quickly and limit damage to you and your client's relationship. Here are some useful tips when it comes to dealing with late paying customers.

Make the most of online tools:
There are numerous credit control and e-invoicing tools available which will make life easier for you when chasing invoices. They will remind you when invoices are due for payment and provide all the key details you need to chase them (such as invoice numbers and contacts). Take a look at these five invoicing tools for consultants and contractors to find out which one is right for your business. Online credit checking services are also useful as they can help you assess whether a new client is likely to be a late payer. A number of low cost services are available and it could stop you taking on the wrong kind of client.

Be proactive:
Even if you are a one-man-band, you should still have fixed policies and processes for dealing with late payers. Remember that prevention is better than cure: all clients should sign terms and conditions which explain what happens in the case of late payment and how interest may be added. This will help if, in a worst case

scenario, the case gets to the stage of court action. Chasing money can be a time-consuming process, so having clearly-defined procedures in place will help you in the long run, both in terms of profitability and reducing stress caused.

Contact the client straight away:

On the day payment becomes overdue, you should contact the client directly over the phone. Try to avoid email - you will be able to get an answer quicker over the phone, and your tone of voice won't be misinterpreted. Try to keep the conversation friendly - after all, there may be a perfectly good explanation why the invoice hasn't been paid. State that there is an outstanding balance and ask if there is a reason why the amount has not been paid. Try to agree a date when the payment will be made, but if your client is unable to give a date straight away, say that you'll call the next day once they have had a chance to look into it.

It's important to remain professional and courteous at this stage. Approaching your client too aggressively when there is a fair reason for late payment may cause unnecessary damage to the relationship.

Be persistent:

If you have still not received any money after chasing the client, send them email reminders and follow up with a telephone call. Be firm, cautious of excuses, and press your client for a date of payment.

Depending how overdue the invoice is, the value of it, and if subsequent invoices have not been paid, you may want to consider withdrawing your services to the client. This will put pressure on them to settle the account quickly. It's important to remember that late invoices can potentially turn into bad debts, and continuing work for nothing could cause severe financial problems for your own business.

During your chasing, it may transpire that your client is experiencing financial problems. If this is the case, try to arrange a meeting where you can agree either an instalment plan or settlement.

Legal action:

No-one likes the thought of legal action, but sometimes patience is not the answer. If you provided the service, you are entitled to be paid. Depending on the size of the debt, you may want to speak to your solicitor who can advise you on the next course of action. This is likely to be a formal letter of claim, which will hopefully be enough to make your customer pay in full or at the very least bring them to the table to agree a settlement.

HMRC Highlights a Decade of Bizarre Excuses and Expense Claims:

Year after year HMRC receives some imaginative excuses and expense claims following the 31st January Self Assessment deadline. In 2020 they compiled a list of 10 of the most weird and wonderful excuses they have received from Taxpayers who missed the deadline.

In reverse order these are:-

- Expense for caravan rental for the Easter weekend
- I was up a mountain in Wales, and couldn't find a post box or get an internet signal
- my dog ate the post … again
- claiming £4.50 for sausage and chips meal expenses for 250 days
- my hamster ate my post
- I've been cruising round the world in my yacht, and only picking up post when I'm on dry land
- a music subscription so I can listen to music while I work
- pet food for a Shih Tzu 'guard dog'
- a DJ was too busy with a party lifestyle – spinning the deck….in a bowls club
- my mother-in-law is a witch and put a curse on me

All the excuses and expenses listed above were unsuccessful.

Other excuses that Taxpayers deemed acceptable for late filing included: -

- My tax papers were left in the shed and the rat ate them.
- I'm not a paperwork orientated person – I always relied on my sister to complete my returns but we have now fallen out.
- My accountant has been ill.
- My dog ate my tax return.
- I will be abroad on deadline day with no internet access so will be unable to file.
- My laptop broke, so did my washing machine.
- My niece had moved in – she made the house so untidy I could not find my log in details to complete my return online.
- My husband ran over my laptop.
- I had an argument with my wife and went to Italy for five years.
- I had a cold which took a long time to go.

Disclosure of Tax Avoidance Schemes (DOTAS):

The Disclosure of Tax Avoidance Schemes (DOTAS) regime was originally designed to enable HMRC to keep up to date with what types of tax avoidance schemes are in circulation. By requesting that promoters make a disclosure, HMRC has the opportunity to review and if necessary amend legislation to block any scheme which the government considers aggressive and unfair.

Changes to regulations from February 2016 have significantly broadened the DOTAS rules, which could conceivably capture more standard tax planning strategies.

- Under DOTAS a scheme promoter is required to disclose the main elements of the scheme to HMRC.
- Special rules apply where disclosure is not made by a promoter and in those cases a scheme user must make the disclosure.
- HMRC will then issue the scheme with a DOTAS reference number (SRN).
- A scheme user will have to notify HMRC that it is using the scheme by inserting the DOTAS number in their tax return.
- HMRC will monitor the scheme's use and if necessary legislate to terminate it.
- Financial penalties are levied on those who fail to comply with the regime.
- If an obligation to disclose exists, notification must be made within 5 days of the arrangements first being made available.

<u>What's new?</u>
HMRC have published an open consultation 'Draft regulations: DOTAS, DASVOIT and POTAS regimes', requesting industry views on proposed rule changes in Finance Bill 2021 which would enable HMRC to act decisively where promoters fail to disclose avoidance schemes at an early stage. The changes would allow HMRC to allocate a Reference number to an arrangement or a proposal that has not been disclosed but where HMRC reasonably suspects them to be notifiable.

Finance Act 2021 provides, from the date of Royal Assent on 10 June 2021:

- For HMRC to issue a new information notice to Promoters Of Tax Avoidance Schemes to require them to supply the information HMRC needs to determine whether an avoidance scheme is being promoted that has not been disclosed under DOTAS.

- If the information is forthcoming HMRC can use that information as normal within the DOTAS regime.
- If the information is not forthcoming or insufficient HMRC can issue a DOTAS Scheme Reference Number (SRN) and publish information from the notice along with the SRN to ensure taxpayers are sufficiently informed of HMRC's interest in the scheme.

The European Council has adopted new rules requiring tax advisors, accountants, and lawyers that design or promote tax planning schemes which could be potentially aggressive, to report them. The EC Directive applies from 1 July 2020. The rules are built around a set of hallmarks which determine whether a scheme should be reported. The draft directive can be found here.

Two new hallmarks were introduced from 23 February 2016: Employment income provided through third parties, and Financial Products.

Bullying & Harassment in the Workplace Employers' Responsibilities:

As an employer, you may have written grievance and disciplinary procedures and these can be used when dealing with cases of bullying and harassment in the workplace. There should, however, be a clear and accessible bullying and harassment policy to best deal with these issues in a prompt, sensitive and consistent manner, which will leave you less vulnerable to claims.

Harassment relates to a protected characteristic under the Equality Act 2010 and so to avoid a claim under that Act, employers must not discriminate or foster a discriminatory environment in any way. Instead, active steps should be taken to try to prevent harassment and bullying in the workplace.

Employers have a legal duty of care for their employees. So, if the implied term of mutual trust and confidence in their employment contract is breached by bullying and harassment at work, an employee with two or more years of service could resign and claim constructive dismissal.

Breach of contract may also include the failure to protect an employee's health and safety at work. Under the Health and Safety at Work Act 1974 you are responsible for the health, safety, and welfare of all employees at work and must ensure that you provide a safe working environment. This includes employees being treated fairly and with dignity and respect at work.

Harassment and bullying can cause employee stress which can reduce productivity and may increase labour turnover, sickness absence, and under-performance. This can lead to resignations of good staff and employment tribunal claims, and so aside from an employer's legal obligations, there is a moral and commercial incentive to try to prevent and effectively deal with harassment and bullying.

<u>Harassment vs Bullying: what's the legal difference?</u>

Harassment is 'unwanted conduct related to a relevant protected characteristic, which has the purpose or effect of violating an individual's dignity or creating an intimidating, hostile, degrading, humiliating or offensive environment for that individual'.
The protected characteristics are:

- age
- disability
- gender reassignment
- race
- religion or belief
- sex
- sexual orientation
- marriage or civil partnership
- pregnancy and maternity

If an employee can prove harassment based on a protected characteristic, they are able to bring a discrimination claim under the Equality Act with potentially uncapped compensation being awarded by the employment tribunal.

Bullying tends to be repeated, unreasonable and unwelcome behaviour directed towards an employee or group of employees which is not linked to a protected characteristic and that creates a risk to health and safety.

Bullying does not fall under the Equality Act and a discrimination claim is not an option. Bullying is related more to providing a safe workplace for employees. There is not a stand-alone claim for bullying which can be brought in an employment tribunal. Employees are more likely to struggle to make a successful claim in respect of bullying than harassment, as they would need to demonstrate a breach of contract or evidence a claim that health and safety legislation has been breached by the employer.

What claims can be brought against employers?

Employers are liable for their own actions if they are committing harassment directly, but they are also vicariously liable for their employees under the Equality Act. Any harassment caused by an employee is treated as if it has been done by the employer, whether the harassment is done with the employer's knowledge or approval.

There is a defence available to employers under the Equality Act, if the employer can show that it took 'all reasonable steps' to prevent the employee from doing the discriminatory act or from doing anything of that description. The liability of employers does not extend to criminal liability, apart from offences relating to disabled persons and transport. The employee has three months from the date of the complained act (or last complained act if part of a series of linked events) to bring a claim for harassment in an employment tribunal.

In terms of employee discrimination by third parties such as visitors or customers, it used to be that employers were liable for harassment if they failed to take such steps as would have been reasonably practicable to prevent it and knew that the employee had been harassed in the course of their employment on at least two other occasions by a third party (whether or not the third party was the same person on each occasion).

However, now the position is that an employer will only be liable in limited and exceptional circumstances where an employee is harassed by a third party. It is only if the employee can show that the protected characteristic was the reason for the employer's failure to protect them against the harassment by the third party. It is the grounds for the employer's action or inaction, not the third party's harassment, which will determine whether an employer is liable.

This may be an area of imminent change as the government is consulting on whether new third-party harassment provisions should be introduced and, if so, when an employer should become liable. Once an employer is aware of harassment caused by a third party it should take reasonable and proportionate actions to deal with this.

Breach of contract claims will be brought directly against the employer in the case of alleged breach of health and safety or breach of trust and confidence. The employee will have up to five years from the breach of contract to bring a claim. Behaviour which amounts to harassment or bullying.

As detailed above, the behaviours for harassment and bullying may be similar, but the root of them is different. Bullying tends to stem from an insecurity, whereas harassment is linked to a protected characteristic that an individual has. Behaviour which is likely to amount to harassment and bullying are:

- Spreading malicious rumours or insulting someone by word or behaviour.
- Making offensive or intimidating comments or jokes.
- Copying memos critical about someone to others who do not need to know.
- Ridiculing or demeaning someone – picking on them or setting them up to fail.
- Exclusion or 'freezing out' or victimisation.
- Unfair treatment.
- Overbearing supervision or micromanagement or other misuse of power or position.
- Creating unreasonable or impossible deadlines or tasks.
- Unwelcome sexual advances – touching, standing too close, display or the sending of offensive / pornographic materials, making sexual jokes asking for sexual favours, making decisions on the basis of sexual advances being accepted or rejected.
- Making threats or comments about job security without foundation.
- Deliberately undermining a competent worker by overloading and constant criticism.
- Preventing individuals progressing by intentionally blocking promotion, salary increases or training opportunities.

Bullying and harassment might be face to face, in writing, in visual images (for example pictures of a sexual nature or embarrassing photographs), automatic supervision methods (for example, computer recording of downtime from work, or recording of telephone conversations if all workers are not treated in the same way).

What is sexual harassment?

If the harassment is of a sexual nature and fits the rest of the definition above for harassment, this is sexual harassment and can also lead to a claim under the Equality Act. Something can amount to sexual harassment even if the perpetrator did not have intent that it would be harassment, and the behaviour does not have to be directed at a specific person. Sexual harassment may be a one-off incident or an ongoing series of incidents and can be written or verbal comments of a sexual nature (for example remarks about an employee's appearance, questions about their sex life or offensive jokes), displaying or messaging pornographic or explicit images or text, unwanted physical contact, and sexual assault. Sexual assault and other physical threats are criminal as well as employment matters and should also be brought to the attention of the police.

<u>How to deal with bullying or harassment in the workplace:</u>
Whenever a complaint about bullying or harassment is made, this must be promptly and thoroughly investigated. The investigation must be objective and independent and must appear to be so. Employers should consider the process and all the facts and circumstances carefully before coming to a decision. If what has happened could be reasonably considered to have caused offence, it is likely that you will find in the employee's favour.

It may be that a colleague is unaware that their behaviour is unwelcome, and the matter can be dealt with informally and the behaviour will immediately cease. If this is the case and the complainant employee is comfortable that this settles matters, that is the end of the matter. HR, a manager, an employee representative, or a counsellor could assist with this informal approach. Counselling can be particularly useful where investigation shows no cause for disciplinary action, or there is doubt on how valid the complaint is. Counselling may resolve the issue or help support the person accused and/or the complainant.

Mediation can sometimes help resolve disciplinary or grievance issues. Mediation is a voluntary process where the mediator helps both parties find a solution to an outstanding dispute, that they can both agree to. This will only work if both parties are both seeking to resolve the issues and repair the working relationship. Mediation can be a good way of dealing with bullying, discrimination, or harassment situations, but this will be dependent upon the nature of the allegations. Discrimination or bullying actions can range from unintentional misunderstandings and lack of awareness through to deliberate and malicious acts. In some cases, the individual and/or the organisation may view the allegations to be sufficiently serious that investigation and possible disciplinary action is the only route.

If the bullying or harassment cannot be dealt with informally or this would be inappropriate due to the nature of the harassment or bullying, this should be dealt with by the company's disciplinary procedure. This procedure should follow the ACAS Code of practice on Disciplinary and Grievance Procedures (ACAS Code) and any company policy drafted to ensure fairness for the complainant and accused.

Dealing with complaints and investigations:

Complaints of bullying and harassment can usually be dealt with using clear grievance and disciplinary procedures which comply with the ACAS Code. Once a formal grievance has been raised in writing by the employee, the disciplinary procedure against the accused should begin without unreasonable delay. Any complaint of bullying or harassment must lead to a prompt and thorough investigation. Even if a victim of bullying does not wish to make a complaint, this may still be investigated in the interests of health and safety of the business and avoiding recurrence. The exception to this might be if an employer has evidence that a complaint has been made maliciously or in bad faith. In that instance an employer may even discipline the complainant but would need to have clear evidence of bad faith to do this.

Procedures followed to deal with bullying and harassment should inform the accused employee of the problem, allow them sufficient time to prepare their case. A meeting should be held to discuss the problem where both the person making the complaint and the accused has the right to be accompanied by a fellow employee or trade union representative of their choice. Following a fair hearing, a written response should be provided within a reasonable time and appropriate action should be taken. The employee should also be offered an opportunity to appeal. Confidentiality must also be provided for, throughout the process.

If serious misconduct is complained of, there may be reason to separate the complainant and accused employees and so a short period of suspension of the accused (usually on full pay unless the employment contract states otherwise) may need to be considered while the case is being investigated.

If an informal conversation, mediation, counselling, or training is deemed insufficient to resolve the issue another penalty will be required to deal with the instance of bullying/harassment complained of. Following a formal hearing, other penalties might include written warnings, suspension or transfer of the bully/harasser or even dismissal if the employee has previous unexpired written warnings or if the employee's behaviour amounts to gross misconduct.

All the circumstances will need to be considered carefully before penalties are handed down, such as:

- The employee's previous disciplinary and general record.
- Whether the procedure points to the likely penalty.
- What action has been taken in previous similar cases, if any.
- Explanations and circumstances in the particular case and whether the penalty is reasonable.

The more extreme the penalty the more liability the employer will face if it gets it wrong and so penalties should be carefully considered before they are issued. An incorrect finding of gross misconduct could lead to a possible unfair dismissal and wrongful dismissal claim.

Whilst all complaints of bullying and harassment should be dealt with sensitively and have provisions for confidentiality to protect both the complainant and accused, where the allegation relates to sexual harassment this should be taken very seriously. This type of allegation is often particularly emotional and distressing for the employees involved (complainant and accused) and so it is critical that reporting is confidential and as clear as possible. The process should allow plenty of time to discuss the matter in a private space and possibly with a friend or family member to accompany, not just a colleague or trade union representative, as would usually be permitted in internal formal meetings.

Additional support is likely to be required in this type of case, for the complainant and accused, whether with HR, external counsellors or even through the police if the matter is criminal. As a bare minimum, as with other complaints of bullying or harassment, the company's disciplinary procedure and ACAS Code must be complied with.

HMRC Takes Hard Line on Illegal Working:

You can be sent to jail for 5 years and pay an unlimited fine if you're found guilty of employing someone who you knew or had 'reasonable cause to believe' did not have the right to work in the UK.

This includes, for example, if you had any reason to believe that:

- they did not have leave (permission) to enter or remain in the UK
- their leave had expired
- they were not allowed to do certain types of work
- their papers were incorrect or false

Check your Employees Properly:
You can also be penalised if you employ someone who does not have the right to work and you did not do the correct checks, or you did not do them properly.

If this happens, you might get a 'referral notice' to let you know your case is being considered and that you might have to pay a civil penalty (fine) of up to £20,000 for each illegal worker.

You'll be sent a 'civil penalty notice' if you're found liable and you'll have 28 days to respond.

The notice will tell you how to pay, what to do next, and how to object to the decision.

Your business's details may be published by Immigration Enforcement as a warning to other businesses not to employ illegal workers.

New Right to Work Check Rules for UK Employers:

The Home Office has updated its right to work guidance for employers, introducing important new changes which will apply to all UK employers from 6 April 2022.

Online right to work checks mandatory for some documents:
Performing a compliant immigration right to work check before employment starts provides an employer with a statutory excuse (defence) to illegal working penalties, but for employers that also hold a sponsor licence, conducting valid right to work checks is an essential sponsor duty.

From 6 April 2022, all UK employers must conduct an online right to work check when onboarding or checking right to work status of employees who hold the following documents:

- Biometric Residence Permit (BRP) cards, which are issued to individuals holding a visa of six months or more.
- Biometric Residence Cards (BRC), which are issued to non-EEA family members of an EEA citizens.
- Frontier Worker Permits (FWP).

Until that date, as well as an online check, employers can continue to conduct manual checks by either:

- an in-person check of the original BRP, BRC or FWP in the presence of the document holder, or
- a virtual check on a video call if using the "adjusted" right to work check process (this concession started in 2020 as a measure to limit the spread of COVID-19 and has been extended until 30 September 2022, as explained below).

From 6 April 2022 employers who continue to undertake manual checks on BRPs, BRCs or FWPs (either in-person or remotely on a video call) will not be provided with a statutory excuse against illegal working penalties if the employee is found not to have permission to work. Without an excuse, the employer risks a civil penalty of up to £20,000, or criminal sanctions where the employer 'knowingly' employed a worker that did not have the correct permission. For employers holding a sponsor licence, failing to conduct the correct checks will also put them in breach of their sponsor duties, potentially risking the immigration status of their sponsored workers.

This new change is part of a drive towards a digitised immigration system. Employers are becoming used to verifying right to work online rather than using traditional in-person checks, especially for those granted status under the EU Settlement Scheme. As more processes become digital, some sponsored workers that have given biometrics in a previous application will now be able to use the new ID check app and so will receive an eVisa (digital status rather than a BRP) and employers will only be able to conduct online checks for them too.

The change only applies to checks performed from 6 April – it is not necessary for employers to conduct retrospective online checks on employees with BRPs, BRCs or FWPs that were onboarded before that date.

Employers will still be permitted to conduct manual checks for other workers who do not hold these specific documents, for example British or Irish nationals relying on their passport for the right to work check (as it is not currently possible for the employer to conduct an online check on their status).

<u>Conducting an online right to work check:</u>

To conduct an online right to work check, employers should:

- ask the individual for a share code, that they can generate through the prove your right to work to an employer page on GOV.UK
- use the Home Office online right to work checking service (the view a job applicant's right to work details page on GOV.UK) in respect of an

individual and only employ the person, or continue to employ an existing employee, if the online check confirms they are entitled to do the work in question
- be satisfied that any photograph on the online right to work check is of the individual presenting themselves for work
- retain on the personnel file a clear copy of the response provided by the online right to work check (storing that response securely, electronically or in hardcopy) for the duration of employment and for two years afterwards.

Whose right to work status should you check?

Although the prevention of illegal working laws that apply to employers only cover those who are 'employed' under a contract of employment, the guidance states that there are 'compelling reasons' why companies should seek to know that all their workers have a right to work. Those reasons include potential damage to reputation, client relationships, regulatory standing and to insurance validity, so the Home Office recommends ensuring that anyone that works for you has the correct immigration status, even if you are not the direct employer.

In some cases, for example where the worker is employed by a third party, that may mean imposing a contractual condition in a commercial contract or requesting copies of right to work documents from the third party employer, rather than conducting the full check yourself.

Introduction of Identity Service Providers (IDSPs) for right to work checks:

Currently, employers do not obtain a statutory excuse if they outsource the right to work check process to a third party. From 6 April 2022, employers may use a third party ISDP to verify a British or Irish national's right to work in the UK – although that option won't be available for other categories of worker. The employer must ensure the ISDP is certified to the required standard and provide appropriate training and guidance to their staff, for example on the information they must obtain from an ISDP to confirm verification of the employee's identity. The list of certified (vetted) ISDPs has not yet been published, so the scheme may not be operational by 6 April. We understand that fees for IDSP checks may range up to £90 per check depending on the IDSP and the number of checks the employer requires each year. The benefits of using ISDP will appeal most to organisations with a large headcount or for employers with teams that work remotely.

Using an ISDP is optional. As it will involve extra cost and process, employers can continue to manually check British and Irish nationals' passports when completing their right to work checks after 6 April 2022.

Deadline for virtual right to work checks extended again:
The Home Office has delayed the end date for the concession allowing adjusted right to work checks to 30 September 2022. The concession allows employers to review some original right to work documents over a video call, to avoid an in-person check. This has been welcomed by employers, especially those with remote and hybrid working arrangements. As most of the UK's other Coronavirus measures have been dropped, we do not expect that there will be a further extension beyond 30 September.

The extension of this concession allowing virtual checks in some cases does not amend the new rule mentioned above for BRC, BRP and FWP holders. As manual checks are no longer permitted from 6 April, all checks on those documents must be done using the online system.

Employment Contracts:

What is a contract of employment?
A contract of employment is an agreement between an employer and an employee which sets out their rights, responsibilities and duties. These are called the "terms" of the contract.

An employment contract is made as soon as an employee accepts a job offer. If the employee begins work, it shows that they have accepted the job on the terms you have offered.

Even if there is no written contract, a contract still exists. This is because the employee's agreement to work for the employer, and the employer's agreement to pay for that work, forms an agreement.

However, employers are legally required to provide an employee (and workers) with a "written statement of employment particulars" on or before the first day of their employment. From 6th April 2020, this also applies to workers. Previously employers had two months in which to fulfil the obligation – now you need to be organized from the start.

Many businesses believe the written particulars to be the contract of employment, but legally this is not the case. The employment contract is broader than the written terms of employment and will, for example, include implied terms (see below). An employer is legally required to give a written statement of employment particulars to an employee. This should include:

- Your business name
- The employee's name, job title or description of work and start date
- Any probationary period
- Pay
- Hours of work (including more specific details)
- Where the employee will be working including any requirement to work outside of the UK
- Holiday entitlement
- Sick pay arrangements
- Notice periods
- Information about disciplinary and grievance procedures • Any collective agreements that affect the employee
- Pensions and pension schemes
- Any other benefits provided
- Any other training they are required to complete

While this covers your business legally, we would recommend having a written contract of employment in addition to the written statement of employment particulars.

Terms of the contract of employment:
A contract of employment is made up of both express terms and implied terms.

Express Terms:
Express terms are explicitly agreed between you and your employee. They include everything mentioned above, including pay, overtime, hours of work, holiday pay, sick pay, and notice periods.

The express terms may not be written in one document but could be in a number of employment documents. They be included within:

- The job advertisement
- A written statement of main terms and conditions
- Letters sent to the employee before they start

- An office manual or staff handbook

Implied Terms:
Every contract of employment has "implied" terms for both employees and employers. These are terms that have not been written down in the contract, but are understood to exist by both parties.

Implied terms could be implied because they are necessary to make the contract work, they are obvious and/or assumed, or they are implied by custom and practice.

For example, implied terms could include:
- You and your employee have a duty to trust each other. If the employee lies about being sick to get some time off, that will have broken an implied contractual term of trust
- As an employer, you have a duty of care towards your employee. You should provide a safe working environment for your employees
- The employee has a duty to obey any "reasonable and lawful" instructions given by the employer.

Terms to include in a contract of employment:
While it is not legally required, having a written contract of employment could help keep any disputes to a minimum, and can also help your employees understand their employment rights and it gives clarity to both parties as to what the terms of the employment are. The terms to include mirror the details required for the written particulars, but may be broader for example to include details of:

- Deductions, detailing all of the circumstances you can make deductions from the employee's salary
- Expenses, if the employee is expected to travel for business purposes
- Voluntary retirement information
- Severability, which states if one clause does not apply to an employee, the rest of the contract will remain valid
- Restrictive covenants, for example precluding your employee for a certain period of time from going to work for a competitor on termination of their employment
- Lay off clauses
- Entitlement to place the employee on garden leave

Do all employees have to have a contract?
As mentioned above, all employees have a contract as soon as they accept a job offer or commence working, whether it is written or not. This will cover:
- Full-time employees

- Part-time employees
- Fixed-term contract employees
- Zero-hour contract employees

Employee Benefits:

Introduction:

Employee benefits offer a way to attract and keep people, contribute towards improving wellbeing and encourage required behaviours, achievements, values and skills.

Mandatory Employee Benefits:

These include retirement, holiday pay, maternity/paternity pay (companies often exceed the statutory limit as part of a comprehensive benefits offer), and sick pay.

Supplementary Employee Benefits:

Life Assurance:

These plans can be established from 3 employees upwards and need to be set up under an appropriate trust. Setting up the correct trust is vital otherwise substantial tax charges will apply. Depending upon the type of scheme and trust selected, employers will need to register the scheme with HMRC either at inception or in the event of a claim. If a policy has fewer than, typically, 20 employees covered, the premiums may need to be set on a single rate rather than a unit-rated basis. Otherwise, the cost is on a flat rate basis.

Income Protection (Long-Term Disability) GIP:

Income protection plans can be established from 3 employees upwards and are easier to set up than Life Assurance because no trust is required. Cover will not apply to any employee not actively at work when the policy commences. Claimants typically remain employed so employer's pension contributions and National

Insurance still apply. These elements can be insured, and employers will need to consider whether to include these costs.

Typically, benefits are funded by the employer, but in a flexible environment, they may be topped up by the employee. It is not tax efficient to salary sacrifice employee contributions as both premiums and benefits will be taxable.

Critical Illness Insurance (CIC):
This type of insurance provides a lump sum payment on the diagnosis of a specific condition, such as cancer, heart attack, or stroke. Policies typically cover anything up to 30 or 40 conditions. Most commonly the benefit is provided as a voluntary benefit funded by employees. Some employers provide employer-funded CIC to their most senior employees.

Private Medical Insurance (PMI):
With this insurance, smaller schemes might have a restriction applied in respect of covering pre-existing conditions. Generally, insurers will quote on a Medical History Disregarded (MHD) basis for a minimum of 20 employees. However, it is possible that schemes can be set up on this basis from 1 employee upwards. Company-paid premiums are subject to Benefit in Kind ('P11D') taxation, and most corporate schemes are "fully insured" with premiums set annually. In addition, a growing number of Trusts are in place for employers with over 1,000 employees and hybrid Trusts.

Dental Insurance:
These policies are quite straightforward to set up in the UK and the minimum criteria is normally two employees. Policies can be set up on a company-paid or employee-paid basis, and monthly costs typically range from £10 to £50 per member depending on the level of cover required.

Health Cash Plan:
This is a corporate policy to help cover or contribute to everyday healthcare costs that aren't always covered by Private Medical Insurance. The employee pays for the cost initially, and then claims back the cost subject to policy cover and limits. The minimum number of lives for a corporate policy is three employees, and monthly costs range from £5 to £50 per member depending on the level of cover required.

Employee Assistance Programs and Virtual GP Services:
A lot of employers offer an EAP as a standalone benefit or included in the Income Protection benefit. Online virtual GP services have become increasingly popular as a convenient way for employees to access healthcare advice and support. This is most often provided as a value-added service as part of a PMI and GIP benefit.

Employer-Sponsored Retirement:
Implementation periods for retirement plans typically take between 1 and 3 months. This scheme must be available to employees from 'day one' of employment, so it must be ready and, for start-ups, in place ahead of the first employee joining date. Also, a UK bank account is mandatory for the processing of contributions.

Employee Perks:
Company cars:
Small numbers of employees can be provided with company-financed cars and/or fuel, or a car allowance in lieu. Company cars are not as popular in recent years as the government taxes this benefit heavily. However, in a work environment where employees travel in business, you may see either company cars provided, or car allowance paid.
Season Ticket Loan:
Common for commuters. The employer loans the employee money to buy a discounted annual season ticket and reclaims the money every month from salary.
Tax-free Childcare and Childcare Vouchers:
The government's tax-free childcare program replaced Childcare Vouchers in 2018. Vouchers are no longer available unless an employee is already enrolled in it and the employer offers it. Tax-free childcare offers up to £2,000 a year per child towards childcare costs, including nursery, childminder, and wrap-around care.
Bike to Work:
Another tax-efficient scheme to encourage commuting by bicycle. Employees can save up to 43% tax on the purchase of a new bike. Essentially, the employer buys the bike, and the employee rents it for a specified period with the option to buy it at a heavily reduced rate at the end of the rental term.
Gymnasiums:
There is also an increase in wellbeing allowances that allow employees to do any sports activity rather than just be allowed access to a gym benefit.
Workplace Canteens:
Common with larger employers and can be highly valued. Food is provided at a discounted rate, this could include breakfast, lunch, and dinner.

Company Car Tax 2022: B-I-K Rates Explained:

A company car can be an extremely attractive perk to any job, and it's exciting to be able to select your new car. Yet before you rush in and choose your next set of business wheels, there are tax implications that need to be taken into account. If you choose the wrong company car it can be an expensive mistake, as the tax contributions come straight out of your payslip.

In basic terms, your company-car tax contributions are calculated on the cost of the car, the amount of carbon dioxide emissions (CO2) it produces and how much you earn.

With the government keen to encourage the adoption of electric cars (EVs), company-car tax on cars with zero tailpipe emissions is currently low, no matter how much you earn or how expensive the car is.
https://www.carbuyer.co.uk/reviews/recommended/best-small-company-cars
The flip side of the coin is that high earners driving an expensive car with a high CO2 emissions figure pay the most. NOx (nitrogen oxide) emissions are also penalised, with some diesel cars paying an additional 4% tax surcharge compared with their petrol counterparts.

How does company-car tax work?
In the eyes of HMRC, private use of a company car (that includes commuting) is a perk, and it is classed as a Benefit-in-Kind (BiK). This effectively means that you're receiving a financial benefit from your employer that isn't part of your salary, and HMRC therefore taxes it separately (Although it's still deducted from your monthly pay 'at source').

HMRC takes the P11D value of your car, which is the sum of its list price, cost of delivery, VAT and optional extras (excluding road tax or first-year registration fees) and multiplies it with a BiK rate. Every car on sale sits within a BiK band, and they're based on CO2 emission levels.

The result of this calculation gives HMRC a cash value of the 'Benefit-in-Kind' you are receiving from your employer and taxes it according to your income tax band, which may be 20%, 40% or 45% for the highest earners (this differs in Scotland, where there is a wider range of rates from 19% to 46%.)

Originally BiK percentage bands were based on company-car values, so the more expensive a model was, the more you were taxed on it. Nowadays, however, BiK rates are calculated in relation to a company car's CO2 emissions, so the lowest polluting cars pay less. This is part of the government's drive to encourage motorists into greener cars.

In the current 2022/23 tax year, all fully electric cars are eligible for a 2% BiK rate, and this is set to stay the same until at least April 2024. This is a huge subsidy and employees can save thousands of pounds annually when their employers offer EVs as company cars.

Company-car tax calculator: an example:
P11D value(£s) x BiK rate(%) x Income Tax Band (%) = Annual tax payable
For any make, model and type of car, the above calculation is applied. As an example, let's take a petrol BMW 3 Series saloon that has a P11D value of £32,985 and falls into the BiK band of 33% due to CO2 emissions of 144g/km of CO2. The value of the car for company-car tax purposes is £10,995 (33% of £32,985).

If you live in England or Wales, the amount of company-car tax you pay depends on whether you're a 20%, 40% or 45% income-tax payer. You'll pay HMRC a percentage of £10,995 based on the rate of income tax you pay; in this case, either £2,199, £4,398 or £4,948 a year respectively.
Scottish residents are taxed in the same way, using Scottish income-tax rates of 19%, 20%, 21%, 41% and 46%. The amount of company-car tax you'll pay to HMRC on £10,995 would be £2,089 at the lower rate rising to £5,058 at the highest rate. Most companies will deduct the tax due from your monthly salary, spreading the cost over the year.

BiK percentage bands are adjusted every financial year (this runs from 6 April to 5 April the year after), and the banding figures usually increase year on year, however for now they are due to stay steady until April 2024

Tax on company provided fuel:
If you use company provided fuel for personal miles - which includes commuting - then the HMRC will tax you on that benefit too.

Working out your fuel benefit tax liability is based on an HMRC-set 'multiplier' for your company car's BiK percentage. The multiplier is set at £25,300 for the 2022/23 tax year, so for our notional BMW 3 Series example above you must multiply the car's 33 per cent BiK rate by £25,300, giving a figure of £8,349. This cash value is then multiplied by your income tax band, so a 20 per cent tax payer would have an annual bill of £1,670 deducted from their salary by HMRC. If you do very little private mileage - i.e. use less than £1,670-worth of petrol - it's worth giving up the free fuel benefit, as you'll be taxed the full amount regardless. Electricity provided to recharge a company EV, whether at home or in the office, is not currently taxed as a benefit by the HMRC.

Other factors influencing company-car tax:
What fuel your car burns also affects the amount of company-car tax you'll pay. As discussed, most diesel cars face a BiK rate 4% higher than petrol's. A high-mileage driver will usually recover the difference in terms of better fuel economy. On the other hand, if you're a low-mileage driver, the petrol car may be the cheaper option.

Making financial contributions to your company car scheme will lower your BiK rate, while employees who use their car part-time are also liable for less BiK tax. To find out how much of a reduction in company-car tax you're eligible for, use the company-car tax calculator on HM Revenue & Customs'

Changes to company car tax from 2020 onwards:
In 2019, the Treasury announced that the BiK rates for the 2020/21 tax year would be replaced by two separate sets of rates; one for drivers of cars registered before 6 April 2020 and one for cars registered after that date. This split separates cars that had their emissions tested under the old NEDC (New European Drive Cycle) testing from those that have been tested under the new WLTP (Worldwide Harmonised Light Vehicle Test Procedure) criteria, with the latter generally producing a higher CO2 reading. The most significant change for the 2020/21 tax year was the introduction of a 0% BiK rate for electric cars registered from 6 April 2020. This has now risen to 2% for the current 2022/23 tax year and will stay at this level until at least April 2024.

These low rates have also been retrospectively applied to electric company cars registered before 6 April 2020, along with hybrid cars registered after this date that emit under 50g/km of CO2 and are capable of a pure electric range of 130 miles (at present, there's no hybrid model on sale in the UK that meets this criteria).

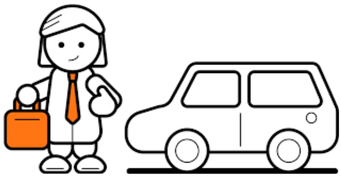
From the 2023/24 tax year, BiK rates are due to be merged to realign them once WLTP emissions testing has been fully implemented. Drivers of older diesel-powered cars will still incur a 2% surcharge on their company cars, unless they meet the latest RDE2 testing criteria, which all new cars must do.

Company-car tax Benefit-in-Kind rates for 2022/23 and 2023/24
To help you work out what your car's BiK rate is, we've listed the rates for cars registered after 6 April 2020 and for those registered before this date. Note that company-car tax rates are updated every year, although the BiK percentage you'll pay in 2022/23 will be changing in April 2024.

Car allowance:

Some companies offer the choice of a car allowance as an alternative to a company car. This is essentially a cash amount given to you each month to help with your personal motoring costs. As with anything, there are advantages and disadvantages to this.

A company car is likely to be renewed every few years and it's possible that maintenance and any repairs will also be covered by the business, protecting you against any unexpected bills and hassle. If you choose a car allowance, you aren't restricted to the list of cars offered by the company and can pay towards owning the car outright, or buy a used car. A car allowance can also be tempting if you already own a car you wouldn't mind keeping or have a commute where you'd rather not drive a car at all.



Electric Charge Points Allowance:

Any business incurring qualifying expenditure on the acquisition of new and unused electric charge-points.

The measure extends the current 100% first-year allowance (FYA) for expenditure incurred on electric charge-point equipment.

The allowance will expire on 31 March 2023 for Corporation Tax purposes and 5 April 2023 for Income Tax purposes.

For the purpose of this FYA:

- 'Electric vehicle' means a road vehicle that can be propelled by electric power, whether or not it can also be propelled by another kind of power;
- 'Electric vehicle charging point' means a facility for charging electric vehicles;
- 'Expenditure on plant or machinery for an electric vehicle charging point' means expenditure on plant or machinery installed solely for the purpose of charging electric vehicles.

Eligible expenditure may include capital expenditure on:

- The charging point itself;
- Alteration of land for the purpose only of installing the FYA qualifying plant or machinery;
- Plant or machinery installed for the sole purpose of providing the charging point with the necessary supply of electricity.

The plant or machinery must be new, unused and not second-hand.

The general FYA exclusions apply.

Expenditure that does not qualify for the FYA (for example, because it was incurred partly for purposes beyond the facility for charging electric vehicles) may still qualify for other Plant & Machinery Allowances.

Van Benefit Charge:

The Government has confirmed that the van benefit charge and fuel benefit charges for cars and vans will be uprated by the Consumer Price Index (CPI), from 6 April 2022.

The uprate means that:

- The Van Benefit Charge will uprate from £3,500 to £3,600
- The Car Fuel Benefit Charge multiplier will uprate from £24,600 to £25,300
- The Van Fuel Benefit Charge will uprate from £669 to £688

Mileage Rates:

Mileage remains an ongoing topic with clients, and we still strongly recommend keeping a mileage log where possible, detailing all miles undertaken for an on behalf of business matters. However, it is also still important to keep receipts for your motor expenses, as this enables us to calculate your most tax efficient claim.

The Mileage rates remain the same for the 2022/23 tax year:-

Car & Vans	45p per mile for first 10,000
	25p per each subsequent mile
Motor Cycles	24p per mile, irrespective of total miles
Bicycles	20p per mile, irrespective of total miles

The Benefits of Apprenticeships for Employers:

Apprenticeships are an established and highly effective way to recruit and train people on the job. By building apprenticeship programmes into your organisation, you are not only helping individuals develop a career, but you are also making a strong business decision which will generate benefits for your team and your bottom line.

There has been a lot of recent research on the impact of apprenticeships. Here are some of the top facts and statistics:

- 98% of employers which currently employ apprentices experience additional benefits to their business, including addressing skills shortages and providing value for money.
- 86% of employers say apprenticeships helped them develop relevant skills for their organisation.

- 74% of employers say apprenticeships helped them improve the quality of their service and products.
- 78% of employers say apprenticeships helped them improve productivity.
- 33% of employers say apprenticeships helped improve diversity within their business.
- The average net benefit of an apprentice is £2496 during their training period.

What is the Return on Investment for Hiring an Apprentice?

An independent apprentice employer network, The St Martin's Group, published a comprehensive report outlining the costs and benefits of apprenticeships in September 2021. Part of this research included financial calculations quantifying the benefits of apprenticeships to employers.
Economic models estimate that the productive contribution of a typical apprentice is worth between £33,759 and £49,500 per year.

Once employment costs and additional expenses were accounted for, the St Martin's Group research calculated that the average net benefit of an apprentice was worth £2,496 during their training period. This research concluded that "when a business hires an apprentice, that apprentice will not only yield a net benefit to employers during training, but will also bring a wide range of additional benefits that significantly outweigh the cost of any initial investment."

It's also worth noting that apprentices will continue to generate value for the duration of their employment, long after completing their apprenticeship programme.

Advantages of Apprenticeships for Employers:

An apprenticeship is a job-specific development programme which follows a set of standards agreed by industry leaders. Apprenticeships are an incredible way to recruit and train your future talent, anticipating and addressing your future skills needs.

Top Benefits of Apprenticeships for Business Leaders:

- Skills gaps exist in every industry, but especially so for specialist digital and tech roles. According to research by Tech Nation, Software Developers are the number one sought after role, accounting for 9% of all advertised tech jobs. In terms of Data Analysts, government research revealed that over the last two years, 46% of businesses have struggled to recruit for roles requiring data skills. Meanwhile, marketing and IT regularly feature as in-demand skills within KPMG's monthly UK Report on Jobs. Apprenticeship training is one solution to these skills shortages, enabling employers to build their future specialists from the ground up.

- Even if you can find someone with the skills and experience you need for your business, hiring a senior specialist can come at a cost. According to research from Glassdoor, the average employer spends around £3000 and 27.5 days to hire a new worker. Apprenticeships can be a great route to save on recruitment fees, as many training providers will handle the recruitment process for you, helping you find your ideal candidate free of charge.

- Apprentices can be a cost-effective way to ease the pressure on a stretched team, increasing capacity while boosting morale. With apprenticeships, you can mould your candidates to fit in with your business needs, values and culture from the very start. Given the opportunity, many apprentices choose to remain within the business as full-time members of staff once they have finished their training. Apprenticeships are an effective way of nurturing loyal members of staff who will continue to benefit your company in the long term.

- According to Government research, 78% of employers say apprenticeships helped them improve productivity. Once your apprentices have found their bearings within the business, they will be able to alleviate a lot of the stress that a heavy workload can bring to a team. The simplest tasks can often end up taking the most time, as they tend to be frequent. Having apprentices on the team means that these basic jobs can be taken care of, freeing up the rest of your team to work on higher level projects.

- 33% of employers say apprenticeships helped improve diversity within their business. While there is still work to be done to improve access to apprenticeships, they can be a powerful tool for increasing minority representation in many sectors, including the tech industry, and enhancing social mobility. If you only recruit using established methods, such as recruitment firms and graduate schemes, you are likely to be hiring your team from a shallow pool that does not necessarily represent wider society, or your ideal customers. Apprenticeships attract a wide range of people, including young people fresh from school or college, university graduates, and people seeking a career change. Bringing new faces into the team will bring new ideas and new perspectives to the table and ultimately strengthen your business.

Apprenticeships aren't just for new hires and junior roles. In 2019-20, 47% of apprenticeship starts were by people aged 25 and over, mostly training people within an existing job role.

At Level 4 and above, apprenticeships can be a powerful and cost-effective tool for professional development. Workforce Development apprenticeships are a great method for on-the-job training and upskilling current staff.
These programmes are tailored to specific job roles, teach the latest industry best practice, and lead to a recognised qualification. Offering such training opportunities can lead to increased productivity, more efficient workflows, higher staff satisfaction and reduced staff turnover.

Investing in your current employees through a professional development apprenticeship shows your team that they are valued, and that you are committed to helping them grow and advance their career.

Auto Enrolment:

The Department for Work and Pensions and The Pension Regulator have confirmed the thresholds applicable for pay reference periods commencing from 6th April 2022. There is no change to the Lower level of qualifying earnings (£6,240) or the earnings trigger (£10,000) but the upper level for qualifying earnings increases to £50,270.

There is no increase in minimum pension rates which remain at 3% for employers and 5% for employees on qualifying earnings. You may though have set your own more favourable terms.

automatic enrolment

Triennial Re-enrolment:

Every three years, you'll need to re-enrol workers who are eligible for automatic enrolment but aren't in a qualifying scheme.

The Pensions Regulator (TPR) sometimes refers to this as 'automatic re-enrolment' or 'cyclical re-enrolment'. It's also known as 'three-year re-enrolment'.

This includes workers who've previously:

- stopped making contributions, or
- opted out, without having since opted back in.

The exceptions to three-year re-enrolment duties are:

- You don't have to include any workers who've done either of these things within the 12 months prior to your re-enrolment date, although you can include them if you want to.
- There's also no legal requirement to re-enrol workers who:
  - have given in their notice to end their employment with you
  - have been given notice of dismissal by you or
  - you know they have protection from the lifetime allowance.

Notifications from the Pension Regulator should never be overlooked.

<u>How Long Do I Have To Keep Tax Records:</u>

The length of time you need to keep tax records depends on the types of income you earn and the types of tax you are paying. A list of time limits is set out below:

<u>Income Tax and Capital Gains Tax:</u>

<u>If you are not in business:</u>
One year from the 31 January following the end of the tax year. For 2021-22, you would need to keep your records until 31 January 2024.

<u>If you are in business – which includes rental income:</u>
Five years from the 31 January following the end of the tax year. For 2021-22, you would need to keep your business and other tax records until 31 January 2028.

<u>A company subject to Corporation Tax:</u>
Six years from the end of an accounting period. For the year ending 31 January 2022 you would need to keep records until 31 January 2029.

<u>VAT:</u>
You should keep records for at least six years.

<u>PAYE:</u>
You should keep payroll records for three years after the end of a tax year. For 2021-22 this would be until 5 April 2025.

These deadlines can be extended if for example:

- You file your self-assessment tax return late
- A return is subject to an enquiry or compliance check
- Records relate to a transaction spanning more than one year
- An asset is bought which is expected to have a life beyond the time limit

The contents of this Newsletter reflects our understanding of the current Tax Law, which may change when the Finance Act goes through the House of Commons.

If any points arising from our Newsletter make you think of someone you know, please don't hesitate to let them know about us!

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