



## taking care of business

Chartered Accountants Business Advisers Statutory Auditors Chartered Tax Advisers  
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# NEWSLETTER SUMMER 2019

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## INTRODUCTION

The well-worn cliché asserting that Nero played his fiddle while Rome burned may be historically incorrect, but it is starting to frame the continuing hiatus as we drift ever closer to a possible no-deal Brexit and its unfathomable consequences.

In this newsletter we have covered a range of issues and hopefully you will find information that is helpful. Please contact our office if you are concerned or intrigued by any of the topics discussed and would like more information.

The Brexit deadline is now drawn at the end of October 2019. Fingers crossed that we have something definitive to report when we send you our Autumn edition of this newsletter.

In the meantime, and anticipating that we will have some decent weather, let us hope we manage a restful holiday this summer as we all need to recharge our batteries before the year is out.

## BUSINESS

### Brexit hiatus set to continue

While the politicians sort out who is going to lead the government, we are left to ponder on the outcome of Brexit.

There seems to be more emphasis on the acceptability of a hard Brexit – a no-deal scenario – and readers should be cautious as a result.

It is interesting that the only detailed information the government has



published is “what to do in the case of a no-deal Brexit”.

And whilst businesses that trade directly with EU will have growing anxiety about the security of their supply lines and pricing of goods, particularly imports subject to possible World Trade Organisation tariffs, in reality we will all be drawn into the same considerations as our UK suppliers and customers may themselves be suppliers or customers to EU firms.

UK traders who have not yet created a formal risk assessment to secure their supplies and factor in the impact of possible tariffs, would be wise to sit down and undertake the necessary research.

We can help. Call if you have any concerns about the impact of Brexit on your future prospects in whatever shape or form.

### Tax relief for landlords

Landlords are classified as business owners for tax purposes and will be keen to ensure that they claim for any allowable business costs against their rental income. There are subtle differences between costs available to a general trading business and a property business, but the expenses you claim against your property income will need to follow the usual HMRC ruling that the costs must be incurred wholly and exclusively for the purpose of renting out the property.

An example set out on the gov.uk website illustrates the point:

If you buy a new vacuum cleaner for your own home, and also use it to clean your rental property between tenants, you cannot claim the cost of the vacuum cleaner as an expense against your rental income.

However, you could claim the cost of any cleaning products you bought specifically for cleaning the rental property.



Where costs are incurred partly for your rental business and partly for some other purpose you may be able to claim a proportion of that cost if that part can be separately identified as being incurred wholly and exclusively for the purposes of the property rental business.

Expenses you can and cannot claim are summarised below.

### Expenses you can claim include:

- Mortgage interest – a proportion of this cost is now limited to basic rate Income Tax relief.
- General maintenance and repairs to the property, but not improvements (such as replacing a laminate kitchen worktop with a granite worktop).
- Insurance, such as landlords’ policies for buildings, contents and public liability.
- Costs of services, including the wages of gardeners and cleaners.
- Letting agent fees and management fees.
- Legal fees for lets of a year or less, or for renewing a lease for less than 50 years.
- Accountant’s fees.
- Rents (if you are sub-letting), ground rents and service charges.
- Direct costs such as phone calls, stationery and advertising for new tenants.
- Vehicle running costs (only the proportion used for your rental business) including mileage rate deductions for business motoring costs.

### Expenses you cannot claim a deduction for include:

- The full amount of your mortgage payment - only the interest element of your mortgage payment can be offset against your income.

- Private telephone calls - you can only claim for the cost of calls relating to your property rental business.
- Clothing - for example if you bought a suit to wear to a meeting relating to your property rental business, you cannot claim for the cost as wearing the suit is partly for your rental business and partly to keep you warm - no identifiable part is for your property rental business.
- Personal expenses - you cannot claim for any expense that was not incurred solely for your property rental business.

If you have any doubts about what you can or cannot claim, please call so that we can advise.

### Employer's additional NIC charge

Benefits provided to employees as part of their remuneration package are generally a cost to their employer and an allowable deduction for Corporation Tax (CT) purposes. So far, so good.

Unfortunately, these benefits not only create an Income Tax charge for the affected employees, but also an additional Class 1A NIC for the employer.

The NIC charge is calculated as 13.8% of the total taxable benefits provided, as reported on the annual return of benefits to HMRC on forms P11D. The employer's NIC charge is also an allowable deduction for CT purposes.

Employers should collaborate with employees, who may secure an overall advantage by repaying the cost of certain benefits, if this repayment cost is less than the Income Tax they would have to pay on the benefit provided. The classic example is refunding private



petrol costs and therefore avoiding the car fuel benefit charge.

Although most readers will miss the repayment deadline for 2018-19 (repayment has to be made to the employer by 6 July 2019), it is definitely not too late to consider schemes to reduce the tax cost to employees and the Class 1A NIC costs for employers for the current tax year 2019-20.

This would involve the identification of specific benefits provided that would suit a repayment approach – private fuel for example – and set in motion the matters that should be considered such that both employers and employees achieve a win-win outcome.

If your company provides benefits to employees, we could help you determine if there are opportunities to achieve this and set up the necessary systems to record and evidence the various transactions.

### How long do you need to keep business records?

Not only are we required to create and maintain business records to back up our submissions to HMRC and if required Companies House, we are also required to keep those records for a legally defined period of time, and if we do not, penalties may be applied and it will be that much harder to defend any challenges made by HMRC and or Companies House based on figures submitted.

In most cases records are kept electronically and it is worth reviewing back-up procedures to ensure you can always reconstruct transactions if required.

The following notes explain the time period that self-employed traders and companies need to keep their records.

#### Self-employed traders

If you are self-employed, and obliged to submit a self-assessment tax return, you must keep your tax records for at least



five years after the 31 January submission deadline of the relevant tax year. For example, if you submit your 2018-19 tax return online on or before 31 January 2020, you must keep your records until at least the end of January 2025. Records for this purpose include those relating to personal income etc.

If you send your tax return more than four years after the deadline, you will need to keep your records for fifteen months after you submit your tax return.

If you keep your tax records on a computer, make sure you have sufficient backups of your data to meet these requirements. If you change software during the record retention period, you may need to print relevant reports if you are unable to maintain access to data backups.

#### Limited companies

If you run your business as a limited company you must keep records for six years from the end of the last company financial year they relate to, or longer if:

- they show a transaction that covers more than one of the company's accounting periods,
- the company has bought something that it expects to last more than six years, like equipment or machinery,
- you sent your Company Tax Return late, or
- HMRC has started a compliance check into your Company Tax Return.

If you are not in business, the minimum period is 22 months after the 31 January filing deadline and at least 15 months after filing if later.

## GDPR

The new data protection regulations require that you do not keep the personal data of your customers, staff or other contacts beyond the date required by law that they be retained.

Keeping this data online or in dusty boxes indefinitely is no longer an option, you will risk heavy fines if you do.

Most online document management systems now have a filter process that will help you manage this search and destroy requirement. As for the storage boxes, you will have to resort to a more hands on approach.

## Cash is king

In a recent press release the Treasury has confirmed that all the present UK notes and coins are to be retained.

It has also been confirmed that the UK's largest cash machine network has committed to replace closed ATMs in rural or remote areas when there is no free ATM within 1 kilometre, or Post Office branch available. LINK has also recently implemented new 'super premiums' to further safeguard free-to-use ATMs in remote and deprived areas.

To ensure cash continues to be available to those who need it, the government will:

- establish the new Joint Authorities Cash Strategy Group (JACS) – chaired by the Treasury and bringing together the regulators and Bank of England – to provide a comprehensive oversight of the UK's cash system,



- support the Bank of England's work to develop a new wholesale cash distribution system to ensure cash is distributed as needed across the country,
- develop a new coin checking and validation framework, to remove counterfeits from circulation and stop them from ending up in people's pockets,
- reiterate that there are no plans to alter the make-up of coins or notes and that the current cash denominations will continue in its current form,
- continue to support new digital methods of payment, while safeguarding access to cash for those who need it. Launched at the 2018 Spring Statement, the call for evidence response is part of an ongoing work to modernise UK currency, which includes the previously introduced new £1 coin and polymer banknotes.

No doubt this reprieve for copper coins is good news for the penny slot machine vendors in our coastal resorts, who were concerned by the threatened retirement of the 1p and possibly 2p coins.

## EMPLOYMENT & PAYROLL

### Employing someone in your home?

You will need to treat a nanny, housekeeper, gardener or similar person as your employee if you hire them and they are not self-employed or paid via an agency.

This may involve you becoming registered with HMRC as an employer and deducting PAYE and National Insurance from their wages.

Additionally, you will need to comply with the digital filing processes involved and observe any relevant minimum wage legislation.

If you are concerned by issues raised in this article please call, we can help you set up and maintain the necessary payroll processes.



## Payroll giving schemes

If your employer or pension provider offers a Payroll Giving scheme, any donations you give through the scheme will be taken before Income Tax is taken off.

You will still pay National Insurance Contributions on the amount of your donation. But you will not pay any Income Tax on the amount you donate.

## NIC & PENSIONS

### Pension's tax relief for low income individuals

Most private pension contributions are made after tax has been deducted at the basic rate of 20%.

For example, if you pay £2,880 annually into a private pension, the government will top this up by adding the 20% tax credit of £720. This means that a total of £3,600 is invested in your pension pot.

You will get no additional tax relief for your contribution unless you pay Income Tax at the 40% or 45% rates in which case you can claim the excess over 20%, i.e. 20% or 25%.

There are limits to the amount of contributions you can claim for pension's tax relief purposes and you should check out these limits with your financial or tax advisor.

### But what is the position of low income earners who pay no tax?

You would expect that you can only get the basic rate tax relief (20%) if you pay

Income Tax in the relevant tax year, but this is not so. You will still get the basic rate tax relief added to your pension pot; your pension provider will claim this for you. And coincidentally, the maximum non-tax payers can pay into their pension scheme each year is £2,880.

## What is the New State Pension?

The following article sets out the basic differences between the “old” State Pension and the New State Pension.

Prior to April 2016, men born before 6 April 1951 and women born before 6 April 1953, qualified for a basic State Pension and an Additional State Pension.

If you were born after these dates you will qualify for the New State Pension and will no longer be eligible for the Additional State Pension (unless you inherit the Additional State Pension of your partner).

The remainder of this article sets out details of the New State Pension (NSP). The basics:

- The earliest you can claim the NSP is when you reach the relevant State Pension Age.
- You will need to have paid at least 10 years National Insurance Contributions (NICs) to be eligible for any NSP payment.
- You will need 35 years of NICs to qualify for the full NSP.
- The full NSP is currently £168.60 per week.

### Check your pension record

If you are unsure how many qualifying years of NI contributions you have made, you can apply online for a Pensions Statement. This should clearly state your progress towards achieving full eligibility for the NSP.

### Claiming your pension

You have to claim your NSP, there is no automatic entitlement. You can claim online, by phone, by downloading a

pension claim form or following a separate claims procedure if you live abroad. If you are approaching pension age and are unsure how to proceed, we can help with these formalities.

### Pension planning

Clearly, if a State Pension is your only income after you reach the State Retirement Age, this will be unlikely to cover the basics and you may need additional income or savings to make up the difference.

The earlier you start this planning process, the more chance you have of achieving a reasonable income after retirement.

### Action plan

We recommend that all readers consider the following action plan:

1. Apply for a State Pension Statement that sets out the number of years NI contributions you have made and those you still need to make to qualify for the NSP.
2. Organise a formal planning meeting with your pension’s advisor to ensure that you are keeping pace with your need to supplement the NSP with a private pension or other means after retirement.

Time flies. Do not leave this important aspect of your personal financial wellbeing until it is too late to create a reasonable pension fund, from State or private sources.



## Inheriting your partner's deferred State Pension

You can usually inherit your partner's extra State Pension if all of the following apply:

- Your partner reached State Pension age before 6 April 2016.
- You were married to, or in a civil partnership with, your partner when they died.
- Your partner had deferred their State Pension or was claiming their deferred State Pension when they died.
- You did not remarry, or form a new civil partnership, before you reached State Pension age.

If your partner died before 6 April 2010, one of the following also applies:

- You were over the State Pension age when your partner died.
- You were under the State Pension age when your partner died, you are a woman and your deceased partner was your husband.

You can only receive any extra State Pension you have inherited once you have reached State Pension age.

### If your partner died before claiming their State Pension

How you inherit your partner's extra State Pension depends on how long they deferred their pension for.

#### **A year or more**

If your partner deferred their State Pension by a year or more, you can usually choose to inherit it as a lump sum or as weekly payments. You will get a letter with the options you can choose from.

#### **Between 5 weeks and a year**

If your partner deferred their State Pension by between 5 weeks and a year, you will inherit it as weekly payments. You will get these payments with your own State Pension.

#### **Less than 5 weeks**

If your partner deferred their State

Pension by less than 5 weeks, their State Pension payments for those weeks will become part of their estate (their total property, money and possessions).

### If your partner was getting their extra State Pension before they died

You will inherit your partner's extra State Pension as extra weekly payments. You will get these payments with your own State Pension.

## PERSONAL

### Cannot pay your tax?

As all self-employed traders and those of us who have to file a self-assessment tax return will be aware, we are required to make a second payment on account for the 2018-19 tax year on or before 31 July 2019.

If you are short of funds, and genuinely cannot clear all of the tax due come 31 July, a reminder that HMRC may consider extended options for settling your outstanding tax bill. The key is to contact HMRC, explain why you cannot pay on time, and discuss how you can settle any outstanding liabilities.

If you cannot pay before the deadline, call the Business Payment Support Service. Anyone can use this service, not just businesses.

#### Business Payment Support Service

Telephone: 0300 200 3835  
 Monday to Friday, 8am to 8pm  
 Saturday and Sunday, 8am to 4pm

Nominated partners in business partnerships can negotiate time to pay with HMRC on behalf of the partnership or individual partners.

#### If you have missed your payment date

If you have received a payment demand, such as a tax bill or a letter threatening you with legal action, call the HMRC office that sent you the letter.



Call the Business Payment Support Service if you have not received a bill or letter about payment yet.

#### Self-Assessment

Call the Self-Assessment helpline if you have missed your payment date.

Telephone: 0300 200 3822  
 Monday to Friday, 8am to 8pm  
 Saturday, 8am to 4pm

#### Could you elect to reduce your second payment due 31 July 2019?

If your income for the tax year 2018-19 is going to be lower than that of the previous tax year, there may be an opportunity to apply to have the payment on account for July reduced.

If this would appear to be the case and you are uncertain how to make a claim, please call us so we can confirm you have a valid claim, and if so, deal with the application process for you.

#### How the court splits assets

In the event of a relationship breakdown, the courts may be drawn into how assets are divided between the estranged partners. The criteria that they will generally adopt in making their choices are set out below.

If you ask a court to make a 'financial order', a judge will decide how assets will be split. They will base their decision on how long you have been married or in a civil partnership, as well as your:

- ages
- ability to earn

- property and money
- living expenses
- standard of living
- role in the marriage or civil partnership, for example if you were the breadwinner or primary carer

The judge will decide on the fairest way to divide the assets, if there are enough assets to meet everyone's needs.

The judge will plan for children first - especially for their housing and child maintenance - and will usually try to arrange a 'clean break', so everything is shared out, and you no longer have any financial ties to one another.

## MISCELLANEOUS

### Potentially exempt transfers

Transfer of your assets that form part of your estate for Inheritance Tax (IHT) purposes, whilst you are alive, are potentially chargeable to IHT even though you are no longer in control of those assets.

However, as long as you live more than seven years after you made the gift(s), no IHT will be payable.

If you died during the seven year period, the amount of IHT payable on the gift will gradually reduce. The reductions will be:

- Less than 3 years – 40% IHT is payable
- Three to four years – 32% IHT is payable
- Four to five years – 24% IHT is payable
- Five to six years – 16% is payable
- Six to seven years – 8% is payable
- Seven or more years – no IHT is payable

Small gifts are generally exempt to certain limits, as are gifts made out of your disposable income.

It would serve your estate's best interests if you kept detailed records of any gifts made in your lifetime such that executors know exactly what they should declare to HMRC.

## FINANCIAL CALENDAR

### July 2019

- 5 Final date to agree 2018/19 PAYE Settlement Agreements (PSA).
- 6 Last date for returns of expenses and benefits (forms P11D, P9D and P11D(b)) for 2018/19 to reach HMRC. Relevant employees to receive copies of forms P11D and P9D.
- 6 Last date to submit annual returns for employee share schemes and employment-related securities for 2018/19 (forms 34, 35, 39, 40 and 42).
- 14 Due date for CT61 return and CT payment for quarter to 30 June 2019.
- 22 Class 1A NICs for 2018/19 due (19<sup>th</sup> if paid by cheque).
- 31 Due date for second payment on account of 2018/19 Income Tax and Class 4 NICs.
- 31 Last day to pay 2017/18 tax to avoid second automatic 5% surcharge (unless late payment agreed with HMRC).

### August 2019

- 2 Submit employer forms P46 (car) for quarter to 5 July 2019

### October 2019

- 5 Deadline to notify HMRC of chargeability to Income Tax or CGT for 2018/19.
- 14 Due date for CT61 return and CT payment for quarter to 30 September 2019.
- 31 Deadline to submit 2018/19 Self Assessment tax return if filed on paper.

### November 2019

- 2 Submit employer forms P46 (car) for quarter to 5 October 2019.



### December 2019

- 30 Last day to submit 2018/19 tax return online to have unpaid tax of up to £17,000 collected through the 2020/21 PAYE code. The amount of debt that can be coded out in a year ranges from £3,000 to £17,000 based on a graduated scale.

### January 2020

- 14 Due date for CT61 return and CT payment for quarter to 31 December 2019.
- 31 Submit 2018/19 Self Assessment return online. Pay balance of 2018/19 Income Tax and CGT plus first payment on account for 2019/20.

### February 2020

- 2 Submit employer forms P46 (car) for quarter to 5 January 2020.

### March 2020

- 31 Last minute planning for 2019/20 tax year. Make sure to use any CGT and IHT annual allowances and exemptions.

### April 2020

- 5 Last day of tax year (6 April 2020, first day of new tax year).

- 14 Due date for CT61 return and CT payment for quarter to 31 March 2020.

### May 2020

- 3 Submit employer forms P46 (car) for quarter to 5 April 2020.
- 31 Last day to issue 2019/20 P60s to employees.

### Every month:

- 1 Annual Corporation Tax due for companies with a year ending nine months and a day earlier, e.g. tax due 1 January 2020 for year ending 31 March 2019.
- 14 Quarterly instalment of Corporation Tax due for large companies (depending on accounting year-end).
- 19 Pay PAYE/NIC and CIS deductions for period ending 5th of the month if not paying electronically. Submit CIS contractors' monthly return.
- 22 PAYE/NIC and CIS deductions paid electronically should have cleared into HMRC bank account.
- 30/31 Submit CT600 for a year ending 12 months earlier. Last day to amend CT600 for a year ending 24 months earlier.

If the due date for payment falls on a weekend or Bank Holiday, payment must be made by the previous working day. Electronic payments sent using the Faster Payments Service (FPS) are able to clear into HMRC's account on a non-banking day – a Saturday, Sunday and most Bank Holidays.

File accounts with Companies House for private companies with a year ending nine months earlier and for public companies with a year ending six months earlier.



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Trainee Development - Gold



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