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Keeping you informed

Newsletter
Spring 2023

INTRODUCTION

Unfortunately, we are unable to offer any commentary on the Spring Budget 2023 in this newsletter as it post-dates our publication date.

We will be reporting on the tax changes in later updates.

However, we hope you will find our coverage this quarter to be useful as we all battle on to cope with the ever-changing issues that currently beset the UK and global economies.

If you need more information on any of the topics discussed, please call.

BUSINESS

Ways you can count on us…

Leaving politics to one side, how can we deal with the current pressures on businesses? Rising costs, reducing revenues as the cost-of-living issues impact activity, increasing taxes – Corporation Tax will include a main rate of 25% from the 1 April 2023 – and a background of continuing supply difficulties.

According to Age UK, we are a nation of worriers who find it difficult to share our problems. These can range from financial concerns as well as other stress creating issues.

But top of the concerns – over 50% of the population – are concerns over money problems.

We can help…

As well as keeping business owners up-to-date with their statutory filing obligations, we can also advise on a whole range of topics that are likely to play on the minds of entrepreneurs.

These issues can include concerns about falling profits, pressures on cashflow as well as diminishing reserves leading to insolvency.

Our successes over many years, in helping clients, means that we have a wealth of experience that can be shared with you to have a positive impact on your business affairs.

Pick up the phone. Let's discuss your options and see if we can help you resolve your difficulties; see if sharing your problems will open up new possibilities.

Business rates list closes soon

A new non-domestic rating list comes into effect on 1 April 2023. You can still let the Valuation Office Agency (VOA) know if the information about your property on this list isn't correct. But the closure of the 2017 list means that there are only limited circumstances in which further amendments may be made to it.

These are when:

- changes need to be made to the list following checks submitted before 1 April 2023 (and any subsequent challenges and appeals);
- the VOA is correcting inaccuracies on the list (this can be done up to 31 March 2024). If the list is changed then customers for those properties have the right to make a check within six months of the change; and
- a customer wants to challenge the 2017 list on the grounds of a tribunal or court decision. They can do this so long as a Check has been made by 30 September 2023.

A video covering the claims process is on the GOV.UK website. It explains how to make a formal claim and to ensure that any future assessment of rates for your business is set at the correct level.

Crack down on money laundering

Overseas companies owning UK land who have not registered their beneficial owners with Companies House could now face penalties such as sale restrictions and tough fines, the government has announced.

Foreign companies were required to declare their beneficial owners on the Register of Overseas Entities by 31 January 2023, under world leading new anti-money laundering measures introduced by the government to flush out corrupt elites.

Now that the deadline has passed, foreign companies that have not submitted information to Companies House could face severe sanctions, including financial penalties or prosecution.

The register was introduced as part of a package of tough economic measures announced in response to Russia's invasion of Ukraine, targeting the illicit wealth of supporters of the Putin regime. The register also exposes criminals using overseas companies to launder money.

Unregistered companies are already automatically rejected from registering ownership of any new land by HM Land Registry. Any UK buyers will be unable to transfer their title to the deed of any property purchased from non-compliant organisations, frustrating attempts to sell. Criminals purchase a safe investment like land and property through opaque corporate structures to clean their dirty money. The Register brings transparency to these overseas based structures, and the restrictions halt the flow of money for those who do not comply.

Companies House is now assessing and preparing cases for enforcement action. Further regulations will also empower Companies House to impose financial penalties on land owned by non-compliant organisations, as well as pursue other legal avenues.

It is estimated that 19,510 out of a total of 32,440 registered overseas organisations have declared their beneficial owners. The information gained has also been invaluable for tax and revenue services, bringing transparency to opaque offshore trusts often used to obscure assets for tax avoidance and evasion purposes.

Companies House and the Insolvency Service will also gain enhanced powers from the Economic Crime and Corporate Transparency Bill, which has just completed scrutiny in the House of Commons. Through the investment of up to £20 million of allocated spending, both organisations will recruit new teams of intelligence and analytical experts to further boost their capability to tackle money laundering and aid law enforcement.

EMPLOYMENT & PAYROLL

National Living Wage changes from 1 April 2023

Employers will need to update their systems to reflect the changes in the National Living and Minimum Wage rates from 1 April 2023. They are:

- Increasing the National Living Wage for those aged 23 and over by 9.7% to £10.42 an hour;
- Increasing the rate for 21–22-year-olds by 10.9% to £10.18 an hour;
- Increasing the rate for 18–20-year-olds by 9.7% to £7.49 an hour;
- Increasing the rate for 16–17-year-olds by 9.7% to £5.28 an hour;
- Increasing the apprentice rate by 9.7% to £5.28 an hour; and
- Increasing the accommodation offset rate by 4.6% to £9.10 an hour.

As this will increase the payroll costs of affected business owners, these changes will need to be factored into business plans for 2023-24.

Working in the EU

You would need a work permit to work in most EU countries if you are a UK citizen.

In most cases, you would also need a job offer from your chosen country so that you can get a visa to move there.

Check with the UK-based embassy of the country you want to work in to see what you need to do.

If you want to work in an EU country, check the country's living in guide for updates.

If you were legally living in an EU country before 1 January 2021, your right to work will be protected as long as you continue living there. This is because you are covered by the Withdrawal Agreement.

The Withdrawal Agreement would also protect you if you started working in one EU country and living in a different EU country or the UK, before 1 January 2021.

You would have the same rights as nationals of the country you are working in when it comes to working conditions, pay and social security (for example, benefits).

Exempt use of cars for business purposes

As an employer, you must report the car or fuel cost to HMRC if they are provided to employees as part of a salary sacrifice arrangement.

If you provide the car and fuel in another way, you might not have to report or pay anything. To be exempt, your employees must use the car or fuel in one of the following ways.

You do not have to pay anything on cars that directors or employees own privately or cars available for business journeys.

Business journeys are either:

- journeys that are part of your employee's duties, e.g., a service engineer travelling to an appointment; and
- journeys an employee has to make to get to a temporary workplace.

To be exempt, you must tell your employee not to use the vehicle for private journeys and check that they do not.

Cars adapted for an employee with a disability

This includes cars with automatic transmission if the employee's disability means they need this facility.

These cars are exempt if the only private use is for:

- journeys between home and work; and
- travel to work-related training.

Fuel that employees pay for

You do not have to pay or report on fuel, including for private journeys, if either:

- employees buy the fuel for their own use; and
- you buy it and they pay you back during the tax year, and their payment is equal to or more than the amount you paid.

'Pool' cars

You do not have to pay or report on 'pool' cars. These are cars that are shared by employees for business purposes, and normally kept on your premises.

You will have to pay if a pool car is driven for private use, or if a car is shared by employees and does not qualify as a pool car.

Cars provided to close relatives

You do not have to pay anything if both:

- you are an employer who is an individual, e.g. a sole trader; and
- you are providing the car to someone who works in your business, but only because they're a close relative and not because they work for you (e.g., you give your child a car as a birthday present).

A close relative includes:

- your spouse or civil partner;
- your son or daughter, and their spouse or civil partners;
- your parents; or
- any other dependants or guests of your household.

What is a salary sacrifice?

A salary sacrifice is not a voluntary reduction in earnings. The sacrifice is actually a swap of salary for a non-cash benefit. For example, an increase in holiday entitlement or pension benefits.

The tax and NIC advantages of certain benefits provided as part of a salary sacrifice arrangement were removed from 6 April 2017. The change removed the Income Tax and employer NIC advantages of a number of benefits provided as part of salary sacrifice arrangements such as mobile phones and workplace parking.

There was a transitional plan in place for certain benefits that ended on 6 April 2021.

An employer can set up a salary sacrifice arrangement by changing the terms of an employee's employment contract. The employee needs to agree to this change. The employee's contract must be clear on what their cash and non-cash entitlements are at any given time.

A salary sacrifice arrangement cannot reduce an employee's cash earnings below the National Minimum Wage (NMW) rates. Employers must put procedures in place to cap salary sacrifice deduction and ensure NMW rates are maintained.

It may also be necessary to change the terms of a salary sacrifice arrangement where a lifestyle change significantly alters an employee's financial circumstances. This may include marriage, divorce and a partner becoming redundant or pregnant. Salary sacrifice arrangements can allow opting in or out in the event of lifestyle changes like these.

NIC & PENSIONS

National Insurance credits

You may be able to get National Insurance credits if you are not paying National Insurance, for example when you are claiming benefits because you are ill or unemployed.

Credits can help to fill gaps in your National Insurance record, to make sure you qualify for certain benefits including the State Pension.

It is worth checking your NIC record for gaps. If you do have gaps in your contribution record you may be eligible for NIC credits. You will either get them automatically or you will have to apply for them.

You get one of these types of credits if you are eligible:

- Class 1 - these count towards your State Pension and may help you qualify for some other benefits, for example New Style Jobseeker's Allowance.
- Class 3 - these only count towards your State Pension.

You can transfer your credits that you received from registering for Child Benefit to your spouse or partner who is living with you if you have paid a year's National Insurance contributions (called a 'qualifying year' for State Pension).

You can check your National Insurance record online to find out if you have credits. If you applied for credits but they are wrong on your record, contact the office where you applied.

National Insurance classes

There are four types of National Insurance that are referred to as Classes 1 to 4.

The following table sets out the current structure:

- CLASS 1 - Employees earning more than £242 a week and under State Pension age - they're automatically deducted by your employer.
- CLASS 1A or 1B - Employers pay these directly on their employee's expenses or benefits.
- CLASS 2 - Self-employed people earning profits of more than £11,908 a year. If your profits are less than £6,725 a year, you can choose to pay voluntary contributions to fill or avoid gaps in your National Insurance record.
- CLASS 3 - Voluntary contributions - you can pay them to fill or avoid gaps in your National Insurance record.
- CLASS 4 - Self-employed people earning profits of £11,909 or more a year.

Contributions under these separate types of NIC are used to qualify you to receive various State benefits.

VAT & DUTIES

VAT – unpaid tax collectors

If you are required to register your business for VAT purposes, you are joining that reluctant band of business owners that are obliged to collect tax for HMRC.

The amount of VAT you have added to your sales, less VAT you have paid out on qualifying purchases, will be paid to HMRC at the required intervals, usually quarterly. As long as your customers pay you the VAT added, over time there should be no effect on your profits, but there can be dramatic impacts on cash flow.

Unfortunately, this is not the end of your responsibilities to act as unpaid tax collectors.

If you employ a person, and HMRC

considers that their salary should be reduced by Income Tax and National Insurance contributions, it is your legal duty to make these deductions and pay them directly every month to the Collector of Taxes.

As with VAT registered traders, there is no increase in costs to an employer if employee contributions (Income Tax and National Insurance) are considered in isolation. However, employers also have to pay a separate National Insurance Contribution (NIC) and these are added to monthly payments to HMRC.

Therefore, these employer NIC contributions are a cost to the employer's business.

We are not aware of the overall costs to UK businesses of calculating PAYE and NIC to meet these demands, but it must be considerable.

The alternative would be to make employees responsible for calculating Income Tax and NIC deductions and paying their taxes individually instead of receiving wages and salaries net of these deductions.

However, UK business owners need to be aware of these obligations and take them into account as the tax collection activities will take up time or increase overheads.

VAT-free purchases for the disabled

Disabled readers and their carers should note that if you are disabled or have a long-term illness, you will not be charged VAT on products designed or adapted for your own personal or domestic use. Also, you will not be charged VAT on:

- the installation and any extra work needed as part of this
- repairs or maintenance
- spare parts or accessories

The product and your disability have to qualify. Your supplier can tell you, but usually products designed or adapted for a disability qualify. For example, certain types of:

- adjustable beds
- stair lifts
- wheelchairs
- medical appliances to help with severe injuries
- alarms
- braille paper or low vision aids - but not spectacles or contact lenses
- motor vehicles - or the leasing of a motability vehicle
- building work like ramps, widening doors, installing a lift or toilet

To get the product VAT free your disability has to qualify. For VAT purposes, you are disabled or have a long-term illness if:

- you have a physical or mental impairment that affects your ability to carry out everyday activities, for example blindness;
- you have a condition that's treated as chronic sickness, like diabetes; or
- you are terminally ill.

You do not qualify if you are elderly but not disabled, or if you are temporarily disabled.

You will need to confirm in writing that you meet these conditions. Your supplier may give you a form for this.

You can apply to your council for equipment or help to adapt your home if you have a disability.

And finally, you do not pay VAT if you import qualifying goods that are for your own personal or domestic use. This includes certain goods for blind and partially sighted people.

If you use a freight service they can help you with the paperwork but do ensure the following is written on the parcel, 'Goods for disabled people: relief claimed'.

If you bring them in yourself, declare them in the red channel at Customs. For any other method of import, contact the National Import Reliefs Unit.

When not to charge VAT

You cannot charge VAT on exempt goods or services. If you buy or sell an exempt item, you should still record the transaction in your general business accounts.

VAT exempt goods and services include:

- financial services, investments and insurance
- garages, parking spaces and houseboat moorings
- property, land and buildings
- education and training
- healthcare and medical treatment
- funeral plans, burial or cremation services
- charity events
- antiques
- gambling or lottery tickets
- sports activities

You can read the full list of exempt supplies on the GOV.UK website.

Also, you cannot charge VAT on goods and services that are 'out of scope'.

Some goods and services are outside the VAT tax system ('out of scope') so you cannot charge or reclaim the VAT on them.

For example:

- goods or services you buy and use outside of the UK;
- statutory fees, like the London congestion charge;
- goods you sell as part of a hobby, like stamps from a collection, and
- donations to a charity, if given without getting anything in return.

Charging VAT to charities

VAT-registered businesses can sell certain goods and services to charities at the zero or reduced rate of VAT.

If you are a VAT-registered business, it's

your responsibility to check the charity is eligible, and to apply the correct rate. Community amateur sports clubs do not qualify for VAT reliefs for charities.

To check that the charity is eligible ask them to provide you with evidence that they are a charity.

This can be either:

- their Charity Commission registration number; and
- a letter of recognition from HM Revenue and Customs (HMRC) if they are not registered with the Charity Commission (for example if they're a charity in Scotland or Northern Ireland).

You also need to ask the charity to give you a written declaration or certificate confirming it meets the conditions for the particular VAT relief.

Charities must follow a particular format for the declaration or certificate. The declaration must be separate from the order form or invoice. You must keep any declarations or certificates for at least 4 years.

Businesses that have not formally registered for VAT cannot and must not charge VAT on their supplies.

PERSONAL

CGT if you live abroad and sell your UK home

You may have to pay Capital Gains Tax (CGT) when you sell (or 'dispose of') your UK home if you are not UK resident for tax purposes. Even if you have no tax to pay, you must tell HMRC you have sold the property within 60 days of transferring ownership (conveyancing).

Rules are different if you are UK resident and sell your home.

As a non-resident you only pay tax on any gain made since 5 April 2015. You may get some tax relief.

In most cases you do not pay tax for tax years in which you, your spouse or civil partner spent at least 90-days in your UK home.

To qualify, you must nominate the home as your only or main home when you tell HMRC you have sold it.

You may still owe some tax if you qualify for tax relief for a tax year, but in that year one or more of the following applies:

- you let part of your home out - this does not include having a lodger;
- you used part of it for business only; or
- the grounds of your home, including all buildings, were greater than 5,000 square metres (just over an acre) in total.

You qualify for full tax relief for the last 9-months you own your home if you qualify for tax relief for any period. This is called 'the final period'. If you are disabled or in long-term residential care the final period is 36-months.

There are exceptions when you will not receive the full tax relief for the final period.

You will not qualify for any relief for the final period for any part of your home that you never lived in because you let it out or used it for business.

You will only receive some tax relief for the final period if the grounds, including all the buildings, were greater than 5,000 square metres (just over an acre) in total.

MISCELLANEOUS

AI tech used to hunt down tax fraudsters

The Public Sector Fraud Authority (PSFA), which was set up last year to help public bodies tackle fraud against the public purse, will work with Quantexa to use new data and cutting-edge technology, including Artificial Intelligence, to find and prevent more fraud across the public sector. Quantexa's technology is capable of processing billions of data points at high speed to identify suspicious activity.

The £4 million contract is part of a wider investment across government to take the fight to those committing fraud against the taxpayer - rooting out fraud and using modern tools and techniques to stop it before it happens.

The Cabinet Office previously worked with Quantexa to reveal instances of potential fraud within the government's Bounce Back Loan Scheme. This involved analysing an initial set of 250 networks of people, organisations, and places during which more than 100 million data items were processed.

The PSFA was backed by £25 million of funding. It will be the centre of the government's Counter Fraud Function and it has been tasked with modernising the government's counter fraud response, working with departments and public bodies to improve their fraud defences and using leading practice and modern techniques to protect taxpayer money.

It has set a first-year target of £180 million of recognised fraud benefits, which it is on course to hit.

The Government Counter Fraud Function brings together the c.13,000 people who work in departments and public bodies to fight fraud. This includes those working to understand and mitigate fraud risk within their organisations and those who work in the public sector to fight economic crime.

FINANCIAL CALENDAR

March 2023
31 Last minute planning for 2022/23 tax year. Make sure to use any CGT and IHT annual allowances and exemptions.

April 2023
5 Last day of tax year (6 April 2023, first day of new tax year).
14 Due date for CT61 return and CT payment for quarter to 31 March 2023.

May 2023
3 Submit employer forms P46 (car) for quarter to 5 April 2023.
31 Last day to issue 2022/23 P60s to employees.

July 2023
5 Final date to agree 2022/23 PAYE Settlement Agreements (PSA).
6 Last date for returns of expenses and benefits (forms P11D, P9D and P11D(b)) for 2022/23 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 2022/23 (forms 34, 35, 39, 40 and 42).
14 Due date for CT61 return and CT payment for quarter to 30 June 2023.
22 Class 1A NICs for 2022/23 due (19th if paid by cheque).
31 Due date for second payment on account of 2022/23 Income Tax and Class 4 NICs.
31 Last day to pay 2021/22 tax to avoid second automatic 5% surcharge (unless late payment agreed with HMRC).

August 2023
2 Submit employer forms P46 (car) for quarter to 5 July 2023

October 2023
5 Deadline to notify HMRC of chargeability to Income Tax or CGT for 2022/23.
14 Due date for CT61 return and CT payment for quarter to 30 September 2023.
31 Deadline to submit 2021/22 Self Assessment tax return if filed on paper.

November 2023
2 Submit employer forms P46 (car) for quarter to 5 October 2023.

December 2023
30 Last day to submit 2022/23 tax return online to have unpaid tax of up to £17,000 collected through the 2024/25 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 2024
14 Due date for CT61 return and CT payment for quarter to 31 December 2023.

31 Submit 2022/23 Self Assessment return online. Pay balance of 2022/23 Income Tax and CGT plus first payment on account for 2023/24.

February 2024
2 Submit employer forms P46 (car) for quarter to 5 January 2024.

Every month:
1 Annual Corporation Tax due for companies with a year ending nine months and a day earlier, e.g. tax due 1 October 2023 for year ending 31 December 2022.
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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