



TAX BRIEFING

SUMMER 2022



Argenta

SPECIALIST TAX CONSULTANCY AND PROVIDER OF
CORPORATE STRUCTURING SERVICES FOR INDIVIDUALS,
FAMILIES AND PRIVATE COMPANIES

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CHANGING NIC IN JULY

The rates for national insurance contributions (NIC) increased by 1.25 percentage points for everyone on 6 April 2022. From 6 July the NIC starting threshold will rise to £12,570 per year (£1,048 per month) for employees.

This means that some lower paid employees will have more Class 1 NIC deducted from their pay from April to June 2022 but may pay no NIC from July 2022 onwards.

quarterly can only benefit from the higher Class 1 NIC threshold from 6 July 2022. Directors who pay themselves annually must use a Class 1 NIC threshold of £11,908 for the whole of the tax year to 5 April 2023.

Employers are not so fortunate as the threshold from which they pay Class 1 NIC on employees' salaries remains at £9,100 per year (£758 per month) for most workers. Employees who are apprenticed or aged under 21 have a higher NIC threshold at £50,270 per year (£4,189 per month).

The employment allowance has also increased from £4,000 to £5,000 for 2022-23.

The employment allowance has also increased from £4,000 to £5,000 for 2022-23. This allowance provides relief against employer's Class 1 NIC but it can only be claimed where the employer had a total NIC liability of less than £100,000 in the previous tax year and the director is not the sole employee of the company.

Directors of family companies who pay themselves

COST OF LIVING SUPPORT

The Chancellor has announced a range of financial support measures to assist with energy costs. There is no direct support for businesses.

The following are available to individuals:

- all households: £400 automatically deducted from each electricity bill in October;
- pensioners: £300 for each household that receives the winter fuel payment;
- disabled: £150 in September for those claiming a range of disability benefits including the attendance allowance;
- other claimants: £650 split over two instalments paid in July and the Autumn for those claiming various means-tested benefits including pension credit; and
- council tax payers: £150 for those with homes in council tax bands A to D.

Those claiming means-tested benefits must have commenced their claim by 25th May 2022 in order to receive the payments.

These are tax-free grants; they do not need to be repaid and they are ignored for state benefit calculations. The grants will be paid directly by HMRC or the DWP into the individual's bank account.

Most local councils have already paid the £150 rebate to those who pay council tax by direct debit but those who pay by other means may need to make a separate claim. Local councils have also been given additional funds to provide targeted support to those in greatest need.





TAX IMPLICATIONS OF HOMES FOR UKRAINE

Ukrainian refugees are being hosted by private individuals and organisations in spare rooms and properties across the UK.

The Government is providing hosts with a monthly payment of £350 per property, administered by local authorities. This payment is only given to those who register as sponsors through the Homes for Ukraine scheme and will be paid for up to 12 months.

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income received.

The monthly payments are free of tax and national insurance in the hands of the host. They are also disregarded as income for state benefits, council tax discounts and rent-a-room relief.

The host is expected to provide rent-free accommodation for at least six months although they can ask the refugees to contribute towards the cost of meals provided and extra energy and water used. The host cannot claim expenses against the

Where the host is a company the payments are exempt from corporation tax. The residential property used to house the refugees is not subject to the annual tax for enveloped dwellings while it is used for the Homes for Ukraine scheme.

REPORTING EMPLOYEE EXPENSES

It is time to report the expenses and benefits provided to employees during the year to 5 April 2022.

This reporting process is known as the P11D after the number of the relevant HMRC form although these days the report is normally a function within payroll software.

HMRC has been discouraging people from using paper P11D forms for some time and in recent years it has provided an interactive PDF for employers to submit the information online. However in 2020 this reporting method created a number of problems and it has since been scrapped.

This year you have three options

to complete the P11D report by the deadline of 6 July 2022:

- HMRC's PAYE online for employers service (for up to 500 employees);
- commercial payroll software; or
- the paper P11D form.

We do not recommend option 3 as paper forms can easily get lost in the HMRC system.

It may be worthwhile 'payrolling' any regular employee benefits such as

health insurance or cars. This would mean adding the cash equivalent of the benefit to the employee's pay and the employee will be charged income tax but not NIC on that amount. As the employer you pay Class 1A NIC on the value of the benefit after the end of the tax year.

In order to payroll any benefits you need to apply to HMRC online in advance of the start of the tax year for which payrolling is to apply.

CAR OR VAN QUESTIONS

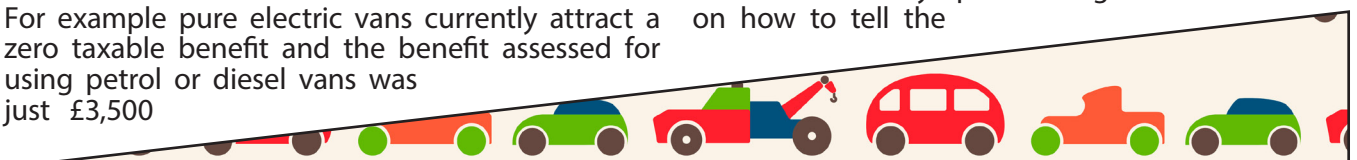
When completing the annual expenses and benefits return (P11D) you need to know what company-provided vehicles each employee and director used in the tax year.

A problem can arise when deciding whether small commercial vehicles should be treated as vans or as cars. The difference can have a significant impact on the level of taxable benefit chargeable for the driver.

For example pure electric vans currently attract a zero taxable benefit and the benefit assessed for using petrol or diesel vans was just £3,500

in 2021-22. On the other hand driving a company car can generate a taxable benefit of up to 37% of the list price of the vehicle per year.

HMRC has recently updated its guidance on how to tell the





difference between a car and a van for tax benefit purposes.

Commercial vehicles are defined as those constructed primarily for the conveyance of goods or burden of any description. However if the vehicle is equally suited to carrying either goods or people it is a car. This ruling is particularly relevant to double-cab pick-ups or combi-vans.

It is the construction of the vehicle rather than its use that determines whether it should be treated

as a van. Thus an estate car with blocked out side windows that is used for carrying tools is still a car as it is primarily designed to carry people. However if a vehicle has been adapted after leaving the factory that adaptation must be taken into account when deciding whether it is a car or a van.

TRIVIAL BENEFITS FOR DIRECTORS

It is important to keep your personal money and your company's money completely separate. If you use your company's bank card to buy personal items or to pay your own bills, that expenditure is treated as a loan to you.

The loan creates a corporation tax charge if it is not cleared within nine months of the company's year end and may create a personal tax charge for you.

However every rule has exceptions. Your company can purchase occasional unsolicited gifts for your family and you with no tax implications, subject to the following:

A director can only receive up to £300 worth of such trivial gifts tax-free each tax year.

- the item costs no more than £50 (VAT inclusive);
- it is not cash or a cash voucher;
- you are not entitled to receive the item as part of any contractual obligation; and
- it is not provided in recognition of services that you perform for the company.

The gifts can be anything from sandals to handbags, books to booze. Linked gifts such as a monthly subscription count as one purchase so would break the £50 limit.

A director can only receive up to £300 worth of such trivial gifts tax-free each tax year, including gifts to family members.

BEWARE OF TAX SCAMS

Scammers are very aware of the tax payment deadlines and will step-up their efforts to divert payments from taxpayers to their own bank accounts.

When you complete your tax return by logging into your personal tax account (see below) you can now choose to scan a QR code to complete a tax payment on your mobile device. This has generated a new type of scam with text messages or emails containing a QR code being sent to taxpayers to direct them to a fake HMRC website.

HMRC will never send a QR code to a taxpayer. If you receive a QR code via email or other electronic message supposedly from HMRC it is a scam.

HMRC will never ask for personal information or payment information

by phone; WhatsApp; email; or text message. If you are contacted and asked for such information by someone claiming to be from HMRC the best advice is to end the call and forward any text message to 60599 (local rates).

Any phone call purporting to be from HMRC asking for money urgently or threatening arrest is always a scam.

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If you are concerned about contact that you have received from HMRC, please contact us for advice.





PREPARING FOR MTD FOR INCOME TAX

Making Tax Digital (MTD) is coming for self-employed and landlords

Currently traders need to keep their VAT records in a digital format and transmit their VAT return data directly from their digital records to HMRC using MTD-compatible software.

From 6 April 2024 similar MTD rules will apply to most individual traders and landlords who will need to keep digital business records and send digital summaries of their business income and expenses to HMRC every quarter.

If your gross trading and/or property income is more than £10,000 in the current tax year (2022-23) you will need to submit quarterly MTD updates plus an annual end of period statement and an annual finalisation statement which replaces your tax return. All of these reports must be submitted to HMRC online using MTD-compatible software, not on paper.

HMRC will tell you early in 2024 whether you need to comply with MTD for income tax but it is best to start preparing your business now.

From 6 April 2024 similar MTD rules will apply to most individual traders and landlords.

How do you keep your business records? If you are recording the information in accounting software or on a spreadsheet you are halfway there with the digital records requirement.

The next stage is to choose some MTD-compatible software to submit the MTD reports. Currently there is a limited range of suitable software on the market, but many software providers are planning enhancements to their accounting packages or developing bridging software to link existing spreadsheets to HMRC software to cope with the income tax aspect of MTD.

Let's discuss how you can best prepare your business for MTD for income tax.

USING YOUR PERSONAL TAX ACCOUNT

Your online personal tax account (PTA) is a useful source of information about your personal tax position and allows you to communicate with HMRC quickly and easily.

For example you can check your PAYE code, update any estimated aspects of your code and view your annual tax summary.

Your PTA also contains your complete national insurance record for the whole of your adult life so you can check for gaps in that record. By clicking on 'state pension' you can see a forecast of the value of your pension and when you will be able to draw it. If you claim tax credits or child benefit you can tell HMRC about changes to your claim through your PTA.

There is also a messages section where HMRC sends reminders to complete a tax return and other important notices.

To access your PTA go to gov.uk/personal-tax-account and click the green button. You need to set up a Government Gateway ID for which you need one of the following government issued documents:

- UK passport;
- payslips or P60 form;
- self assessment tax return;
- Northern Irish driving licence; or
- tax credit details.

You should never give anyone your Government Gateway ID details as they could be used to make fraudulent claims in your name. We cannot access your PTA as your tax agent.

The information contained herein is of a general nature and is not intended to address the circumstances of any particular individual or entity. No one should act on such information without seeking appropriate professional advice.