Tax E-News

Welcome to our monthly newswire. As usual please contact us if you wish to discuss any matters in this newsletter further. Best wished for the festive season!

December 2019

ELECTION TAX PROPOSALS - MORE MONEY FOR NHS?

The various political parties have all made bold promises in the run up to the General Election about increased spending if elected, particularly extra money for the NHS. Although many of the spending pledges will be funded out of increased borrowing, the parties have assumed that they can persuade voters that extra spending on the NHS should come from general taxation.

The Liberal Democrats policy would be to increase the rate of income tax by 1% to raise £35 billion a year for the NHS and social care. The Conservative and Labour parties propose to provide extra money for the NHS from corporation tax changes.

BORIS JOHNSON TO DELAY 17% RATE OF CORPORATION TAX

Corporation tax is scheduled to be reduced from 19% to 17% from 1 April 2020.

However, in a speech to the CBI on 18 November Boris Johnson announced that, if elected, the Conservative Party would keep the rate at 19% to provide an extra £6 billion for the NHS.

Despite Jeremy Corbyn telling the CBI that the Labour party is "not anti-business" the party have previously announced that they would reverse the recent cuts in corporation tax. Note that the rate of corporation tax was 28% back in 2010 at the end of the last Labour government.

MORE MONEY FOR SOCIAL CARE?

In every General Election since 1997 there have been pledges by the various political parties to resolve the funding of care for the elderly in the UK but yet nothing has happened. It even sparked a dramatic U-Turn by Teresa May in 2015 with her proposal for a so-called "dementia tax". With the care system in crisis it will be interesting to see what the different political manifestos promise to solve the problem.

Although not strictly a tax matter, for many families funding care fees for the elderly is a bigger issue than inheritance tax (IHT). The current rules in England and Wales require the family to make a contribution to care fees where the person's assets exceed £23,250, including the value of the family home.

The normal IHT planning strategy of giving wealth away and surviving for seven years does not necessarily work as the social care rules are based on the concept of "deliberate deprival" of the estate.

If the local authority consider that the transfer of assets was done deliberately to deprive the estate of assets to avoid paying care fees, then the transfer is ineffective.

CHRISTMAS GIFTS OF UP TO £50 TO EMPLOYEES

Remember that certain gifts to staff at Christmas are tax free if structured correctly. Ever since April 2016 employers are allowed to provide their directors and employees with certain "trivial" benefits in kind tax free.

The rules were brought in as a simplification measure so that certain benefits in kind do not now need to be reported to HMRC, as well as being tax free for the employee. There are of course a number of conditions that need to be satisfied to qualify for the exemption.

Conditions for the exemption to apply

- the cost of providing the benefit does not exceed £50
- the benefit is not cash or a cash voucher
- the employee is not entitled to the benefit as part of any contractual obligation such as a salary sacrifice scheme
- the benefit is not provided in recognition of particular services performed by the employee as part of their employment duties (or in anticipation of such services)

This exemption will generally apply to small gifts to staff at Christmas, on their birthday, or other occasions and includes gifts of food, wine, or store vouchers.

Note that where the employer is a "close" company and the benefit is provided to an individual who is a director or other office holder of the company, the exemption is capped at a total cost of £300 for the tax year.

Please feel free to contact us if you are considering taking advantage of this exemption.

GIFTS TO CHARITY

Where possible higher rate taxpayers should "Gift Aid" any payments to charity to provide additional benefit to the charity and for the individual to obtain additional tax relief on the payment.

For example where an individual makes a £20 cash donation to charity the charity is able to reclaim a further £5 from HMRC making a gross gift of £25. Where the individual is a 40% higher rate taxpayer he or she is able to claim a further £5 tax relief under self-assessment, reducing the net cost of their donation to £15.

Note that the donor is required to make a declaration that they are a UK taxpayer and those that have not suffered sufficient UK tax to support the Gift Aid amount will taxed on the shortfall.

Remember that Gift Aid does not just apply to gifts of cash. Many charity shops will now sell the donated items on your behalf and are able to treat the sale proceeds as Gift Aided donations.

It is also possible to gift quoted securities and land and buildings to charity and claim Gift Aid on the market value of those assets.

GET ON YOUR BIKE! USING THE CYCLE TO WORK SCHEME

The government has recently announced that the previous £1,000 limit on the cost of a bicycle provided under the cycle to work scheme has been removed. This will apply where the employer uses a firm authorized by the Financial Conduct Authority (FCA) to hire out cycles to employees who use them to commute to work.

Note that where the cycle is provided under a salary sacrifice arrangement there continues to be no taxable benefit if the amount paid by the employee is within HMRC approved limits. Note that where the bicycle is transferred to the employee after 6 years HMRC accept that value is negligible.

SALARY SACRIFICES

The provision of a bicycle to employees under the governments cycle to work scheme is an exception to the general rule introduced from April 2017 where the amount taxable is the greater of the salary foregone and the taxable benefit as set out in the tax legislation.

Other exceptions to the general rule include employer pension contributions and childcare vouchers.

Please get in touch for further details.

DIARY OF MAIN TAX EVENTS DECEMBER 2019/JANUARY 2020

Date	What's Due
1/12/19	Corporation tax for year to 28/02/2019 unless quarterly instalments apply
19/12/19	PAYE & NIC deductions, and CIS return and tax, for month to 5/12/19 (due 22/12 if you pay electronically)
30/12/19	Deadline for filing 2018/19 tax return online in order to request that HMRC collect outstanding tax via the 2020/21 PAYE code
1/1/20	Corporation tax for year to 31/03/2019 unless quarterly instalments apply
19/1/20	PAYE & NIC deductions, and CIS return and tax, for month to 5/1/20 (due 22/1 if you pay electronically)
31/1/20	Deadline for filing 2018/19 self-assessment tax return online and paying your outstanding tax for 2018/19 and first payment on account of 2019/20 tax.